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12 SEPTEMBER 1986

WEST EUROPE REPORT

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MOCK CHOOSES GROUP OF POSSIBLE FUTURE MINISTERS

Vienna DIE PRESSE in German 1 Aug 86 p 4

[Article by Hans Werner Scheidl: "A Team of 11 Is To Help Alois Mock Win"]

[Text] Nine men and two women--that is the team with which VP head Alois Mock will go into the battle for a parliamentary majority in September. The party now has half a year in which to present to the voter the faces of those who are going to occupy the government bench in the event of an election victory. In order to remain flexible in the case of coalition talks, it has been stated expressly that there is no question of a "shadow cabinet," but evidently the people at party headquarters do not completely trust the unique magic powers of new programs which are to be bestowed on the electorate starting this fall.

Alois Mock (who at present is in the Philippines on behalf of the IDU [a writers' interest group]) has learned from the debacles of "shadow cabinets" in the past.

There have been times when the establishment of such imaginary cabinets turned out to be more complicated than that of real ones. All associations and all provinces wanted to be taken into account. Mock does not want to do that in advance: he merely names 11 persons who are considered to be of "ministerial caliber" without, for the time being, assigning any particular portfolio to them. And he does so primarily because it is not yet clear by any means how many portfolios can be done away with as an economy measure.

First there are Robert Graf and Josef Taus, who like the wise ravens Hugin and Munim of ancient times set the party's economic policy. Taus modernized the organization of nationalized industry when he was an extremely young state secretary, and in the person of Robert Graf business at long last would again be represented by one of its own at the Stubenring. The "front-bencher" from Burgenland definitely has had enough of the National Council.

Wolfgang Schuessel, Robert Lichal, and Heinrich Neisser are considered highly versatile and suitable for various portfolios by the party chairman. "Heini" Neisser went through a low point in his career when he prematurely became a state secretary under Josef Klaus and then was unable to obtain any key position in politics. In the end he would have been content with a municipal council position without portfolio in Vienna, but apparently he is now moving up again.

"Of course" of ministerial caliber, Michael Graff takes his place on this list of the "top 11." He is virtually bound to get the justice portfolio if the People's Party gets that portfolio in coalition talks.

For the Ministry of Agriculture, which the OeVP would like to "get back" at all cost, Mock has nominated Josef Riegler, former agricultural spokesman and now a member of the Syrian Government. From Lower Austria comes Erwin Proell, young financial specialist and deputy provincial governor.

That leaves the two ladies, who will be presented to the public even more forcefully than in the past--Marga Hubinek, the "showpiece" woman who could be seen smiling from posters as early as 1971 and can be employed both in the environmental and in the family sector, and finally the political "vertical starter" Helga Rabl-Stadler, the sharp Chamber of Commerce deputy president from Salzburg who does not need her father, Gerd Bacher, to fight her way up further.

The fact that it pays to be as busy as a bee as long as that is manifested to the party head is illustrated by the example of Deputy Wendelin Ettmayer. The deputy AAB [Association of Workers and Employees] secretary general in the past few weeks has addressed over 200 "waste inquiries" to the various ministers and, lo and behold, is now a possible candidate for the post of state secretary for economies--a position once (before 1970) filled by Heinrich Neisser.

The question as to who actually will take office depends not only on the extent of the VP victory, for Neisser has been charged with initiating a slimming process on behalf of his party chief: at least two ministries have to be eliminated as an economy measure, and the number of state secretaries is to be cut in half. In other words, it will indirectly depend on Neisser who will become a minister.

But Mock's "prethinker" is also supposed to come up with a large-scale ministerial reform to be presented to possible coalition partners as a basis for discussion next year. Since 1945 the structure of the 15 ministries actually has changed only in minor ways, simply developing over the years. Traditionally departments are never eliminated even if their postwar tasks have long since been accomplished. For instance, the care for war victims is still the job of a department which has no other functions despite the fact that there are extremely few Austrian war victims left.

Yet only time--and the election result--will tell whether Mock will prevail with such plans as far as a coalition partner and the civil servants are concerned.

8790/12851
CSO: 3620/783

JANKOWITSCH ON ROLE, RELATIONS WITH THIRD WORLD

Vienna NEUE AZ in German 19 Jun 86 p 5

[Interview with Foreign Minister Peter Jankowitsch, by NAZ editors Georg Hoffmann-Ostenhof and Robert Wiesner: "'I Will Not Forget My Old Love for the Third World'"; date and place not known]

[Text] With unbelievable energy, as his colleagues report, Peter Jankowitsch, the 53-year-old new Austrian foreign minister, is plunging into his task. Georg Hoffmann-Ostenhof and Robert Wiesner spoke with him about his plans and his view of the chief aspects of Austrian foreign policy.

NAZ: Some people linked your appointment as foreign minister with the expectation that Austrian foreign policy would increasingly turn to the Third World and to the implementation of great internationalist ideas. Then, however, the EC and neighborhood policy were mentioned....

Jankowitsch: And the United Nations, don't forget! Austrian foreign policy is going forward in concentric circles. The innermost and immediate circle is Austria's neighborhood. Here we are far from having done everything we could, things are far from being as ideal as they could be among neighbors. In addition to the older ones, for example, there is now a brand new neighborhood problem called Wackersdorf.

NAZ: Hasn't Chancellor Vranitzky announced great restraint on this?

Jankowitsch: The chancellor has suggested that Wackersdorf cannot be solved by a policy of confrontation. Ongoing dialog is needed, a possible incorporation of Austria within a security plan. If certain people, from Green Luddites to province presidents playing politics, imagine we're going to march into Bavaria now, they're deceiving themselves. The War of the Bavarian Succession is over--and even its result was rather disappointing.

What we will do specifically must be discussed within the government. The environment minister, too, can play a role in contact with his new colleague in Germany.

The second circle of Austria's foreign-policy activity is the overall European one. We must always remember, Europe does not end at the Oder-Neisse boundary.

Our European policy must therefore develop in both directions. Austria must again and again bring its own contributions to the European policy of detente.

European policy includes the permanent question of what our integration role and potential are. With complete respect for our obligations and for the requirements of the policy of neutrality, we must continue to work at gaining a close relationship with the EC which will compensate as far as possible for the disadvantages of not being a member. At the same time I emphasize again that I do not consider EC discussions in terms of alluring catchwords like "membership" and "association" to be meaningful. This is a pragmatic process, on which we should collaborate with imagination.

NAZ: And what significance has the Third World for Third World expert Jankowitsch as a minister?

Jankowitsch: Of course Austria must have a Third World policy, no question about that. In the first instance, within the framework of multilateral institutions. A country like Austria absolutely requires functioning, credible international organizations from the UN through to the regional field--for example, the European Council.

We will naturally not seek to evade the dictates of solidarity. This is becoming increasingly necessary because of the great crises out there in the world, and thus one of our points of emphasis is development aid.

NAZ: In which we stand relatively poorly.

Jankowitsch: In which we stand terribly. We're always getting slapped for this, most recently from the OECD in Paris. I think, however, I've found a good listener in the new finance minister, who was once, after all, state secretary for development aid. And the chancellor, too, did something for multilateral aid when he was finance minister--laying out some millions of dollars for Africa, for example. We will naturally continue along these lines. This must be seen as a whole, and I will certainly not forget my old love for the Third World.

NAZ: You became foreign minister in a particularly difficult situation. Austria's image abroad is tarnished, the future federal president will probably not be received in various countries: what, concretely, will you do?

Jankowitsch: There is certainly no patent recipe, no magic formula, that will open all doors to us again. Each problem must be addressed separately. As regards Israel, for example, many misunderstandings have piled up there. Some time or other we must arrive at a kind of normalization with Israel, and for this, everything must be put on the table.

With the old democracies--Scandinavia, Benelux, Holland above all--it's another story. There we must talk the problems out, we must have a real exchange of opinions. This can not be discussed only on the governmental level. As international secretary of the Austrian Socialist Party, I tried time and again to take up contacts with the Dutch socialists, especially since the

Reder-Frischenschlager affair, where quite a lot of criticism arose. Unfortunately, after all, it was in Holland that this Seyss-Inquart, an Austrian, was gauleiter.

NAZ: Some Socialist Party politicians said they just couldn't work with Waldheim. Can you?

Jankowitsch: It's not a matter of who can or can't work with whom. The Austrian Socialist Party has received the mandate to govern up to the end of the legislative period, and it must be fulfilled. This includes proper dealings with the chief of state. Of course it would have been more pleasant with Kurt Steyrer, but we must take account of a democratic decision.

13070/12379

CSO: 3620/760

DKP SEEKS TO INFLUENCE GERMAN LEFT THROUGH PEACE LIST

Bonn RHEINISCHER MERKUR/CHRIST UND WELT in German 11 Jul 86 p 4

[Article by Andreas Hallaschka: "Red-Green Is the DKP's Hot Tip"]

[Text] You could feel sorry for the man. In search of a political home, 42-year-old Juergen-Bernd Runge is constantly plagued by bad luck. First he was a member of the CDU. That was in the sixties when he, together with Eberhard Diepgen, Klaus Landowsky and Alfred Mechttersheimer in the Circle of Christian Democratic Students of the Free University of Berlin, battled the neo-Marxists. "I was one of Rudi Dutschke's opponents," he reports. In those days he even published a book, together with the present national executive director of the CDU, Peter Radunski, about the extra-parliamentary opposition (APO). But in 1968 he indignantly left the CDU during the third parliamentary reading of the Emergency Laws.

In 1968 he joined the FDP, was successful, and advanced to the position of national executive director of the Young Democrats, which at that time was still the official FDP youth organization. Later he even got a position at FDP headquarters. Runge remained in the bosom of the Liberals until the "about-face" of 1982. Indignantly he left there as well.

Thus he became an assistant in the "Borm Office" of the former FDP honorary chairman who built up the splinter party "Liberal Democrats." This time, when nothing came of the experiment Runge did not become indignant, he was resigned.

What to do? Fortuitously it happened that the "Peace List" was launched for the 1984 European Parliament elections. Runge was attracted to it as well. Again the scheming certified political scientist climbed on a party's career ladder. Here the man who started out his career as an Adenauer Scholarship winner is now not only a full-time press spokesman, but he also affects the title of "Member of the National Executive Committee."

"He has apparently concerned himself too much with the neo-Marxists since our time at the Free University," says Runge's former fellow traveler Peter Radunski. For the Peace List is by no means an "individual alliance of Christians, Social Democrats, Greens, Liberals and Communists" as Runge would have one believe, but a "barely disguised attempt to make the DKP presentable," as Wolfgang Biermann, SPD Party Executive Committee advisor for peace and security policy, puts it.

The DKP, as the West German offshoot of the SED, is doing without a candidacy in its own name in the 1987 Bundestag elections since it finds itself in "complete agreement with the Peace List." Honecker's West German vassals adroitly proceeded to pack the candidate slates of the 1,000-member Peace List organization with their own men and women. Already during the 1985 election for the North Rhine-Westphalia Landtag, three-fourths of all candidates of the Peace List could be categorized as belonging to the DKP portion of the political spectrum; the 36-year-old teacher Uwe Knickrehm, for example, who is simultaneously a member of the national executive committees of the DKP and the Peace List. Nonetheless, the Peace List garnered considerably more than 300,000 votes in the 1984 European election. With a 1.3 percent share of the votes cast, that resulted in an election campaign expense reimbursement from the tax coffers of the federal government of several million Deutsche marks. Of that amount the Peace List paid DM280,000 to the Sandinistas of Nicaragua. This "potential" was sufficient to undertake a barely disguised attempt at blackmailing the Greens since they lacked exactly that number of votes which the Peace List garnered (0.7 percent) in the North Rhine-Westphalian Landtag election. They missed going into the parliament of the most populous land by a hair.

Officially, the national executive committee of the Greens does not want anything to do with a slate of candidates shared with the Peace List. "That is out of the question," press spokesman Michael Schroeren says. There are "incompatibilities of content" with the Peace List because it does not make "any clear statements regarding the peace movement in the East" and has, moreover, "discredited itself by its reaction to Chernobyl." The only problem is that the word of the national executive committee of the "anti-party party" does not count for all that much. Hennig Schierholz, a Green member of the Bundestag, thus wrote to the "dear people" on the national executive committee of the Peace List that he wishes to work for a candidacy of the Peace List on state rolls and in the Greens' electoral districts.

That large numbers of Greens are not opposed to a common cause with the Communists is proven by the example of the Bavarian Land Association. There, at least seven members of the Peace List stand as candidates for the Greens in the Landtag election. The Peace List itself evaluates its success with "It is not out of the question that the Peace List will be represented in parliament with the Bavarian Greens on 12 October." Greens' press spokesman Schroeren speaks disparagingly of a "sympathy effect" in the Bavarian base of support.

Whether the national strategy of the DKP is successful and orthodox Communists enter the Bundestag for the first time since 1953 will be decided in the final analysis by the "Greens' support base." And as for that, one must simply count on idealistic Green dreamers falling for the "mushy slogans" (Schroeren) of the Peace List.

The instructions which in the meantime are being spread throughout the country by the functionaries of the Peace List show plainly that the DKP's strategy is more than obvious--on instructions from the GDR--and can hardly please the SPD: A red-green majority is to be achieved at any cost in the German Bundestag! Direct candidacy in the electoral districts is characterized by the Peace list

as "pressure for new majorities," and the principal emphasis of propaganda is being placed upon obtaining secondary votes for the Greens. At the present it is still not clear whether the Green "realists" will decide to deliver Green candidates to the Peace List for the enrichment of candidate slates shot-through with DKP people.

People who are well known and unsuccessful in elections will disseminate the slogan "Primary vote for peace, secondary vote for an end to the about-face" among far-left types for the Peace List. Ewald Lienen, professional soccer player for the National League Moechengladbach team, broods about ecological matters; Catholic theologian Uta Ranke-Heinemann, daughter of deceased Federal President Gustav Heinemann, is thundering again against Reagan's "policy of murder and murderers;" former SPD Bundestag member Karlheinz Hansen sees "Rambo-ized characters such as Todenhoefer, Woerner and Dregger." It is also not exactly novel that a series of Protestant pastors, known already from Communist Party front groups, willingly cooperate.

The justification of the new alliance policy of the DKP is not difficult for it since it has often made use of similar tricks. It is supposedly running for office with the Peace List "because the threat to peace is greater, the necessity of making peace and disarmament a subject of the elections is more urgent." And further, in party jargon: "Within the actual political constellation of this election campaign for the Bundestag, this form of candidacy enables us to conduct a fully competitive election campaign." A struggle against the CDU/CSU and FDP as well as against the SPD? Yes and no, say the strategists: It depends on the SPD candidates. If they are against NATO, then one can talk about a lot of things. Apparently also about a whispering campaign on an individual basis in favor of a "release" of the primary vote so that a "progressive" SPD candidate will be able to drive his CDU rival from the field. Such a thing will become interesting if it gets "close" between the major parties, the CDU/CSU and SPD, in the primary vote.

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DISINFORMATION ALLEGED IN SOVIET OFFICIAL'S VISIT

Athens EMBISTEVTIKO GRAMMA in Greek 23 Jul 86 pp 1-2

[Text] Last weekend a many-faceted disinformation operation took place on the occasion of the arrival in Greece of the alternate secretary of Foreign Relations of the Central Committee of the CP USSR, Mr. Konstantin Kornienko.

Initially, the first disinformation was given by the government spokesman, who withheld the fact that Mr. Kornienko had come to Greece as a special envoy, not to deliver a personal message from Mr. Mikhail Gorbachev to Greek premier, Mr. A. Papandreou, but to deliver a message for public consumption on the issues of nuclear armaments and the USA-USSR relations that was directed to all the premiers of the Mediterranean countries!

This, on the other hand, was the reason for the government's decision not to make public the "text of the briefing" from Mr. Gorbachev, which was neither personal nor was it anything other than propaganda. The second attempt at disinformation reflected a pronounced pro-Soviet bias by the government news media and certain newspapers that would have been harmless had it not distorted the real posture of the USSR on our national issues.

This disinformation about certain "academic" views of Mr. Kornienko, or "views" of his entourage, gave the impression of a great and continued interest of the USSR in the Cyprus question with the well-known Soviet proposal for an international conference to discuss the subject of Cyprus at the top of the list.

This disinformation concealed the following significant facts:

That the posture of the Soviet Union has not changed in any way in favor of Greece and Cyprus and has not gone beyond the wishful-thinking of the UN proposals;

That during his meeting at Elounda, Mr. Kornienko reiterated to Mr. Papandreou that the UN Secretary General's initiative should not be rejected, but become the basis for negotiations, a posture that is clearly pro-Turkish;

That Turkish premier, Mr. T. Ozal, is to visit the USSR in the near future to promote the well-publicized sizeable economic agreements between the two countries, while the economic agreements between Greece and the USSR (with the construction of the alumina plant being a typical example) are regressing, to say the least.

Despite all of these extraordinary revealing points of Kornienko's visit, the pro-Soviet and government propaganda handed out self-deceptions and distortions of the truth and the official Soviet postures and choices.

9731

CSO: 3521/218

DETAILS ON DISCUSSION OF NEW KYP LEGISLATION

Tsokhatzopoulos Justifies Changes

Athens TA NEA in Greek 2 Aug 86 p 15

/Article by M. Papazoglou/

/Text/ "The badly-tarnished KYP /Central Intelligence Service/ as far as the average Greek is concerned has been radically changed by us. We have given it a new form of practice and we have made certain that it will be able to function restrictively and exclusively, without any possible deviation, only for matters of espionage, counterespionage, as well as the collection of intelligence information within the context of safeguarding the country's national security."

The above was emphasized by Minister to the Prime Minister Akis Tsokhatzopoulos at yesterday's second session on the discussion of the bill on the National Intelligence Service that was given a majority vote (the government opposition parties voted against).

The minister added, "We have made certain that this service will not be able to conduct surveillance on any Greek citizen whatsoever either as regards his labor union or political activities. In one word: We have set up an entity for the service of the people and country, constantly within the context of the overall policy and responsibility of PASOK and the government. The activity of this service is restricted exclusively and only to protect the country from dangers emanating from abroad."

The speakers representing the government opposition parties maintained their original positions (that they enunciated the first day).

Mr M. Papakonstandinou, representing ND (as the other speakers, namely Katsaros, Benaki, Manos, Karatzas, Pavlidis, Vasileiadis, Balkos, Panourgias, Stathopoulos and Fotopoulos) maintained that "PASOK does not have the good testimony from abroad so as to entrust it with the uncontrolled activity of the new KYP. PASOK has returned to the old-time division of the Greek people and to the issuance of green certificates that do not differ from the old social behavior certificates except for the issuing authority."

Subsequently, the government opposition spokesman said, "There is a large dose of political hypocrisy when it is being trumpeted that the restructuring of the KYP is being made for the protection of democracy at the very moment when its activity goes unchecked and is subject only to the prime minister who is at the same time a party leader."

ND proposes three forms of checks (relative amendments have also been submitted): (1) bipartisan or (2) judicial checks or (3) participation in decision-making by the major government opposition party's leader.

Mr K. Kappos, KKE spokesman, said that it is unacceptable that the prime minister be given carte blanche to deal with KYP matters without any discussion and checks by the Chamber of Deputies. He insisted on the setting up of a bipartisan committee for checks on the National Intelligence Service.

At this point he mentioned that PASOK had submitted an amendment to the constitution in 1975 according to which it asked for the establishment of a bipartisan committee dealing with foreign issues and national defense.

In response to the ND and KKE speakers, Minister to the Prime Minister Tsokhatzopoulos said the following:

If PASOK had wanted to make the KYP a partisan service it would have done so in 1981 by changing its personnel. However, the personnel has remained the same since then.

The same holds true for the unsupported charge that with this bill we want to get rid of its personnel. If we wanted something like that we would not have waited until 1986.

KYP's submission to the prime minister dates from 1984. And the fact that today's bill gives authority to the prime minister is not something so surprising.

Political responsibility, the minister added, lies with the prime minister. At the same time, however, for the first time the National Security Council functions within. This body has the responsibility for coordinating the activity of the National Intelligence Service. Therefore, matters are not handled exclusively by one single individual.

For the government there is no question of controls by one specific individual except for that provided by the parliamentary democratic system of the country that gives the possibility of controls overall by the government and prime minister. You can check on us on the activities of this service anytime you want.

Yes, in 1975 we proposed the creation of permanent committees so as to discuss domestic and foreign policy. We did not propose one committee that would check up on the State Intelligence Service.

It is a prerogative of PASOK to propose bipartisan committees. And we have provided for these committees. For example, bipartisan committees for the employee code, for local self-administration, for television, etc.

Finally, Mr Tsokhatzopoulos, referring to the issue of the current KYP director, said the following:

- Mr Makedos is the most capable person, in our political opinion and evaluation, to hold this position. That is why we stand up for and exactly why we fully support Mr Makedos. We also have all the data that prove his capability as well as his democratic and militant background.

Drosogiannis' Presence Seen Important

Athens I VRADYNI in Greek 2 Aug 86 p 4

/Article by Giorgos Trangas/

/Excerpt/ A few months ago the Danos Krystallis scandal, his links with the prime minister's entourage and the KYP-Security conflict once again brought to the surface the KYP's activities in PASOK's time. Today the government opposition charges that the government "is converting the KYP into a party organ without assuring controls over its activities." This is so because with the new bill and with the pretext of its being renamed National Intelligence Service the possibility is given to the prime minister's advisers to operate the state mechanism with secret decisions and without the Chamber of Deputies' knowledge. At the same time, KYP employees transmit to newspapers various written charges on what is going on inside the service and, among other things, they ask that "the names of Arabs who, thanks to financial allowances, are being covered up as to their espionage and criminal activities to the detriment of our country."

The replacement of General Politis as KYP director by Air Force Major General Makedos and the expected assignment of Mr Tsimas, former secretary general of the Ministry of Public Order, as KYP liaison with the government are creating justifiable concerns over the role the KYP will play in the immediate future under its new leadership.

Mr Makedos' past and his letter --his report on the Greeks in America-- as well as his "hard-line" positions on various issues relating to our relations with the allied factor and to facing up to the terrorist issue do not presage normal and harmonious cooperation with corresponding NATO intelligence services. Besides, a whole series of serious questions arise as to how the KYP will operate in our internal affairs and to what extent it will be involved in politics.

It is a fact that the KYP has a "sinful" past. A past that was stigmatised repeatedly by the socialist movement's leadership at the time it was in the government opposition. When, however, it came to power it did not remain ignorant of the strength of its apparatus --as was only natural-- and everything points to the fact that it made use of it and continues to use it in the game of power. Here it should be pointed out that it was the KYP's security division that always carried out the "dirty" tricks of each succeeding government in power. In the last few years there has been growing information that Col Giannis Alexakis, director of KYP's security, who was recently transferred to Cyprus, had set up an import-export office outside the service whose mission it was to check up on "discipline" within the ranks of the movement. Nevertheless, Colonel Alexakis and General Politis attempted to maintain the flow of intelligence information on a normal basis, information that had become particularly suspect as a result of the tolerance shown

by Athens to a series of Arab terrorist operations. It is a fact that the KYP repeatedly clashed with Security and had transmitted a whole lot of intelligence information on imminent terrorist actions, information that was not acted upon in time.

Greece remains a member of NATO and the EEC while KYP's orientation with regard to the Second Counterespionage Branch has not changed with the coming of PASOK to power. Cooperation with accredited western secret service station chiefs continues by way of the KYP liaison office. Nevertheless, a series of contacts we had with Libyans created quite a lot of anxiety with regard to this cooperation. Just as the exchange of familiarization visits within Qadhdhafi's secret services in the spring of 1982 also created a serious problem.

Of course, Mr Andonis Drosogiannis has his headquarters in the skyscraper on Katekhaki Street. He has the trust of the prime minister and perhaps with his presence constitutes a sort of guarantee for our cooperation in intelligence matters with our western partners. It has recently been rumored that Mr Drosogiannis wants to merge the Second Counterespionage Branch with the KYP's anti-terrorist branch so that they might constitute one entity. Perhaps this is one positive step in modernizing the service. It suffices that this entity too might not operate only for the collection of political information but prepare dossiers --this time electronically-- on all of us...

Amendments Rejected

Athens I KATHIMERINI in Greek 8 Aug 86 p 2

/Excerpt/ The finishing touches to the articles of the bill on the KYP --it has been renamed EYP /National Intelligence Service/ --were completed yesterday in the Chamber of Deputies. During the session the ND deputies repeated their criticism over the complete form of partisanship that is being imposed on this sensitive service. During yesterday's debate, Minister to the Prime Minister A. Tsokhatzopoulos was forced to deny information on the KYP's request for data on President Sartzetakis' "dossier." He said that "there is no surveillance today either on parties or persons, particularly politicians."

Mr Tsokhatzopoulos, under intense pressure by ND deputies, withdrew an amendment that gives the broadest authority to the prime minister or to the minister to the prime minister to raise the salaries of categories of KYP employees beyond that prohibited by the income policy. Moreover, the government majority did not accept the amendment of ND Deputy St. Manos that sought complete protection of individual rights of citizens.

In his party statement, Mr M. Glezos maintained that from 1974 until 1980 the KYP conducted surveillance on citizens and political parties with the exception of the Rallis government during which surveillance slackened. In his statement Mr Glezos called on ND, if it doubted his contentions, to ask for the creation of an examining committee to examine the work of the KYP from 1974 until now.

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CSO: 3521/237

COMMENTS ON OLD, NEW KYP PERSONALITIES

Athens PONDIKI in Greek 1 Aug 86 pp 5, 23

[Excerpt] The...master of the service [KYP], Giannis Alexakis, left for Cyprus day before yesterday! Besides his security men, there was no one at the airport to bid him good-bye, a sign of the decadence of a...great man! We did not find out who welcomed him in Cyprus, but what we do know is that in his position, he must punch the time clock today, as they say!...How will the KYP... survive without Alexakis?

Well, Alexakis has gone, but his men remain: in spite of what was rumored, both Col Bousios and Maj Liosis remain unshaken in their positions: the first heads the counter-espionage branch and the second is in charge of the bureau of internal security, probably the most sensitive position in the KYP. This is the office that deals exclusively with all kinds of "operations."

There is a new table of organization for the KYP, and its implementation will be followed by important changes in the service's leadership: (the first candidate for a move is Col Kyritsis, in charge of the espionage branch, while there is seemingly no question that the new deputy chief, Gen Kyrkis, will remain in place).

The reorganization includes two positions for deputy chiefs: one will be in charge of "operational" issues, and the second will be responsible for administrative matters.

Kyrkis will take over the administration.

Mr...Kostas Tsimas will assume responsibility for the "operational" issues, and his authority will even be increased! Yes, we are talking about the former secretary general of the Ministry of Public Order himself, who accepted the offer when it was made to him.

As for KYP chief Filippos Makedos, he is attempting to gather around him a staff of trusted officers, so as to be able to control the operation of the service and--above all--avoid the "banana peels" of every kind. A total of 7 air force officers with the rank of major have already been assigned to the KYP, all of them in sensitive positions next to the officers who are in charge...

However, we have left for the end the "good news":

There are indications that Drosogiannis will play an important role in the KYP, following the abolition of the government council which managed the serious business of the service! Indications stem mainly from the frequent contacts between Makedos and the minister of public order. The last one, indeed, took place last week and lasted more than two hours!

This means that Drosogiannis is assuming responsibilities which his predecessors did NOT have, and is going up instead of going home! Has no one, and especially Andreas, understood anything?

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CSO: 3521/224

TRADE UNIONS CONTINUE GOOD RELATIONS WITH BLOC

Athens EMBISTEVTIKO GRAMMA in Greek 23 Jul 86 pp 8-9

[Text] While for a number of years now Western European trade unions have had very cold relations with the official representatives of the Soviet State trade unions, precisely the opposite is happening with the Greek trade unions. Many of the latter develop contacts with the state-controlled trade unions of the communist countries while they remain "indifferent" towards the Western European labor union movement. On the contrary, as much as many Western European trade unions, such as the French CFDT, support the "illegal" labor movement that develops in communist countries (Solidarnosc in Poland, etc.), the Greek trade union movement pointedly ignores it. In addition, many Greek trade union leaders do not even listen to the dissidents of the state-controlled trade unions in the communist countries, a fact that is bitterly criticized in international trade union circles.

Last June, according to our sources, a large group of trade union leaders of OTOE, of POL, of OEDE, of the Clothing, Textile and Construction Workers Union paid a week-long visit to the Soviet Union as guests of the Soviet trade unions.

The purpose of the visit was to acquaint the members of the Greek delegation with the working conditions of the Soviet citizen in a generalized way and more specifically for the exchange of views on the topical problems facing each of the areas represented by the Greek trade union leaders.

Later on, at the invitation of the Greek Federation of Private Employees (OIYE), a three-member delegation of trade union cadres from Bulgaria, headed by Mr. Sirma Georgieva [as published], secretary of the Retail Workers Federation, visited Greece. The purpose of the visit was for an exchange of views on the conditions of retail workers in Greece and Bulgaria as well as the preparatory work for the convening of the Congress of Balkan Workers that will take place in Sofia later this year on the subject of "The influence of technical-scientific progress on retail employees under peaceful conditions and the turning of the Balkans into a nuclear and chemical weapons-free zone."

Finally, officials of the Prague-based International Labor Organization, whose main objective is to spread Soviet ideology among trade unions of the West and the Third World, have very close contacts in the Greek trade union sector. It is worthy of note that, with the exception of Greece and the French CGT, almost no other western labor union is a member of the ILO.

CONSERVATIVES SEEK NEW PROFILE IN WAKE OF ELECTION DEFEAT

Stockholm SVENSKA DAGBLADET in Swedish 27 Jul 86 p 26

[Commentary by Hakan Bergstrom: "Singing A New Tune?"]

[Text] During the election almost a year ago, it was the Conservatives' intention to topple the Social Democrats from the saddle. The Moderates would reap the final victory after having been so close for the last ten years.

But that did not happen. The limited loss was seen as an unexpected defeat and Ulf Adelsohn resigned in June. As early as August, a new party leader election will be held--in the meantime a new unifying name has to be found in the middle of vacation time.

Or do the Moderates simply need to create a completely new profile? And what do the pressures within the party really look like?

The Moderate Coalition Party is not only seeking a party leader, but some of its members also want a new tune. Perhaps a softer one. Perhaps a stronger concentration on environmental issues, on culture and social politics.

In this summertime, the members of parliament have gone home to their districts. They are talking with neighbors and party friends over hawthorn hedges and backyard fences. Telephones are ringing.

That man, Anders Wijkman--he who has been gone from party politics for so long, and who instead concentrated on world hunger--has suddenly become an interesting subject. He attracted the moderate people.

"It was not primarily the party members who were interested in him, rather the sympathizers, the ordinary moderate voters," says Sven Eric Lorentzon, farmer, member of parliament and chairman of 6,000 moderates in Halland.

Anders Wijkman, head of the Red Cross, later declared himself unwilling to become the party leader for the Moderates. But yet, his name has become an alarm clock: Do the Moderates need a new profile, another aspect?

Closed for Vacation

Stig Gunne, who for many years has set the tone as a moderate politician in the local government in Goteborg, is critical of the party leadership. He wants

time; to reflect over other candidates and to sample the opinion within the party. But the party is going to choose a new chairman as early as August 23.

"Hello, this is the Moderate Coalition Party's telephone answering machine. We are closed for vacation and will be open again on August 4 at 9 a.m. If you want to leave a message, please do so after the tone. The Moderate Coalition Party wishes you a good summer."

Only one example among many: the party district office in Ostergotland is closed.

But Stig Gunne is also openly critical of the party leadership. He says that he is "scared to death of political broilers," those who thunder into politics without professional or just plain living experience. He feels that the party is ruled too strongly by the party general offices in Stockholm:

"Politics is knowing human nature. A knowledge which is often lacking among those who have not heard the jargon in the working place and who have not received their knocks while working for a living," says Stig Gunne.

He wants new issues--especially environmental issues--to have a stronger hold in the Moderates' policy.

A lone voice? Hardly. Even if there are very few who are as openly critical as Stig Gunne, the Moderate from Goteborg.

Leader's Importance

The importance of a party leader may lie in his or her ability to stress certain issues, to give the party a profile.

Gosta Bohman became party leader in 1970. Before that, ever since the 1940's, he had been active in the Stockholm Chamber of Commerce and devoted himself to industrial matters. In his autobiography, "That's How It Was," he describes how industry was suspicious of the non-Socialist parties during the 1960's and how the manufacturers turned their backs on practical politics.

This experience distinguished his party leadership. Therefore, he viewed it as one of his main tasks to allow the questions of industry, economy and taxes to penetrate the Moderate policy.

Furthermore, he was an active party leader, always ready to jump into the debates.

Later on, Bohman wrote: "As a memento of my years in the military, I have carried with me the conviction that a leader has to be superior in anything he asks his subordinates to perform."

Successes

During the 1970's--a decade of oil crises and expansion within the public sector--the Moderates stood out as a party that was pro-business, closely tied to industry. At the same time, the Employers' Confederation launched an ideological offensive.

The Moderate successes were noticable. The party received 11.5 percent of the votes in the 1970 election. In 1982, the number was 23.6.

A reaction has set in, however, after the setback in the election last year and after Ulf Adelsohn's resignation.

Jens Eriksson from Bohuslan is a Moderate member of parliament and one of the delegates to the meeting that is going to elect a new party chairman in August.

"I have been a fisherman all my life. One of the important things to me is that the waters are kept clean. There are important environmental and social issues that have been put in the shade in the Moderate policy. They should be brought into the light," says Jens Eriksson.

In his opinion, the interest in Anders Wijkman is a sign that the Moderates are seeking another profile. Jens Eriksson is also dissatisfied with the manner in which the party leader is chosen and Adelsohn's hasty decision to resign in the early summer. Then a party meeting right after the vacations. Where is the time for reflection?

Of course there have been signs that the party policy was too narrowly aimed at economics and industry, especially when young Moderates happily joined the neo-liberal market economic wave at the beginning of the 1980's.

The industrious, conservative idea-debater, Erik Anners, previously a history of law professor, and for several decades a member of the Right Wing and Moderate Coalition Party, pointed out the contradictions within the party in an article in SVENSK TIDSKRIFT in 1981:

"The danger apperas to be that the extreme liberalism, with its efforts to apply the market principles to almost every economic, social and cultural problem, is spreading among the Moderates, possibly even pushing aside the social-conservative ideological foundation. Such a development would, in the long run and to a great extent, impair the promising possibility of the Moderate Coalition Party becoming the very coalition party on the non-Socialist side--in fact now the Moderates might risk taking over the position of the People's Party as a small party on the 4-6 percent level."

In the same year, 1981, Gunnar Hokmark, then chairman of the Moderate Youth Association, wrote the book, "A New Deal," in which he encouraged new ways of thinking:

"Tough Stuff"

"A new deal implies a new mentality in politicians. I don't believe that that mentality has become generally accepted even among Moderates. There the young generation has a re-creating task, it has to make sure that eyes are opened to reality.

"But the situation also has to be seen from a different angle, our society has to be viewed critically. IF we are going to handle the 1980's, there can be no question of namby-pamby politicians. Tough politicians are required. Politicians who would rather say no than yes. Real meanies," said Hokmark.

"The fact is that I believe that a large part of the current generation of politicians is burned by the traditionalist mentality. They cannot question what they have helped build. They cannot change mentality. They are corrupted by friendships with and traditions in the public sector's various units," wrote Gunnar Hokmark.

Today he is a Moderate member of parliament.

Such tunes, of course, are controversial within the party, especially among those who would rather be called conservative and who guard the tradition and warn against rapid, radical changes.

The Old Admiral

Fifty years earlier, in 1931, the Right Wing Party leader, Admiral Arvid Lindman, was standing in Okull, a district steeped in tradition, speaking to a gathering of right-wing youth. It was a time of economic crisis. In May, five workers had been shot to death by the military in Adalen. In his speech, on this late summer day, Admiral Lindman explained that it was Communist agitators who were "immediately and substantially responsible for the tragedy in Adalen."

But listen to the ideological tune, the conservative foundation of the then right-wing leader:

"There is a deep truth hidden in the fact that history consists of living and dead and, of them, the dead are by far the mightiest. This insight breeds a feeling of humility before the tasks, large or small, that have been set before us. We know that our own contribution, by necessity, becomes relative and limited when viewed in a larger context. But this insight is also the basis for a conservative ideology which has an aversion towards a far too abrupt and revolutionary interference with progress."

Within Arvid Lindman there is a traditional, conservative, ideological nucleus, a distrust of sudden and revolutionary interferences. But forceful and rapid changes are what the young Moderate is requiring, when he battles tradition 50 years later.

Tradition or radical new thinking? That's where the Moderates are pulling in different directions.

Disagreements?

"I still do not see any great disagreements within the party. But since we have been accused of neo-liberalism, I think it is important that we find a party leader who will stress the social issues," says Margareta Gard in Ludvika, who is a member of parliament and a director on the board of the Moderate women's Association.

"It is stupid to conceal the fact that there is disagreement within a large party like this," says Stig Gunne in Goteborg.

Young moderates who are lured by a market economy free from compromise. Or sober conservatives who guard the tradition. Or a member of parliament, Gunnar Bjorck, who feels that heart and warmth are lacking in the Moderate policy and hopes that Ingegerd Troedsson will recapture the women who fell for Bengt Westerberg, the People's Party leader, during the last election campaign. An overwhelming opinion within the party supports young Carl Bildt.

The Moderates want to avoid a reputation as economic dogmatists, neo-liberal egotists.

Gunnar Heckscher, the former Right Wing Party leader, had his political weakness defined by a colleague: "It doesn't matter if a party leader is talented, as long as it doesn't show."

But Gunnar Heckscher still appears as the intellectual analyser of moderate and conservative policies. He also found reasons to warn against neo-liberalistic tendencies at the beginning of the 1980's:

The Name Entails Responsibility

"There is plenty of evidence that the policy of Margaret Thatcher in England will emerge as the standard example of how bad things can get, when the actions of a government are decided by economic dogmatism. It is not inconceivable that the same thing may be said about Ronald Reagan's policy in the United States, even though the form of government there counteracts mulishness and encourages greater flexibility. The Moderate Coalition Party in Sweden has no reason to follow such examples.

"The Moderate Coalition Party has taken a name which lays claim to conservatism and rejects self-sufficiency. It entails responsibility," wrote Gunnar Heckscher in SVENSK TIDSKRIFT in 1981.

It is with the feeling of not having managed to bring about moderation and social engagement that many Moderates, at this moment, are wondering about the future party leader's looks, charisma and interests.

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CARL BILDT STRESSING DEFENSE ISSUES IN QUEST FOR CHAIRMANSHIP

Stockholm SVENSKA DAGBLADET in Swedish 27 Jul 86 p 2

[Article by Hakan Hagwall: "Carl Bildt At Summer Meeting. Defense Our Most Important Peace Issue"]

[Text] Grisslehamn--"A passion for peace combined with responsibility best describes the Moderates' vision of society," said Carl Bildt last Saturday under an umbrella in Roslagen. Other recurrent words were competency, reliability and straightforwardness. Even if this was not meant to be a description of a good party leader, couldn't it do fairly well?

For the time being, Almedalen has done its thing as a political vacation spot. Ingvar Carlsson has demonstrated that he does not intend to take over Olof Palme's old location for the traditional summer speech. He, as well as other party leaders, is choosing his own rostrum. If Carl Bildt becomes the Moderates' new party leader, Grisslehamn, way out on Vaddo in Roslagen, may end up on the political map: he has spoken to a meeting of Moderates on the field by the fishing dock there every summer for a number of years.

As he did last Saturday. And this year there were more people and especially more coverage by the mass media than ever before--"for some reason," as Carl Bildt drily commented at the press conference afterwards.

"This will be an exciting speech," Bildt began. He said he was referring to the weather, which matched the favorite forecast of the meteorologists: "After a while the scattered showers will depart, to be followed by a steady downpour." Umbrellas were opened, most of them blue and yellow with a blue "M" on the yellow fields. Bildt struggled with his soggy manuscript and valiantly accomplished his task, while his listeners just as courageously stood by. The dampness is said to have caused two pages of the manuscript to stick together, thereby sparing Thage Peterson from a planned attack.

Bildt's starting point was the dramatic past year since he last spoke in the same place. He brought up the election, the tragic murder of the prime minister and the extreme conditions brought on by "the third oil-price shock," the one that unlike its two predecessors meant tremendous price reductions, not increases.

"The economic conditions will never be as good as in 1986," Bildt predicted.

In closing he mentioned, somewhat mumblingly, that among the more bewildering happenings in Swedish politics were the changes in party leadership that have taken place or have been announced. That was the closest Bildt came to the hot potato that he has kept at a considerable distance so far.

On the other hand, his entire speech, which concentrated on the future, could very well be heard as a contribution to or a commentary on the debate that has been raging about the ideology, profile and aspect of the Moderates.

The political future, both short and long-term, will provide the Moderates with an important and serious agenda; concerning the political issues that are predicted to come up already this fall, the Moderates will have a mission based on extremely traditional conservative principles.

The fight about the pension tax, which the Social Democrats seem prepared to push through with the help of the Left Wing Communist Party--incidentally, they were the ones who initiated the idea--does not only concern money and tax percentages, individual savings and public consumption, but also the principles of a community governed by law.

The defense question concerns the state's most important obligation, the safeguard of the external security. If we can't manage today, in peace time, to keep our territory free from the activities of foreign military forces, there is no great hope that we will be able to do so in a crisis or in war. That is why the weakening of our defense must cease:

"Defense is our most important peace issue."

The collective enlistment of individual people to the party by the Social democrats will be discussed in the parliament again this fall. The question is whether there will be sufficient support for the stand that the Moderates were originally the only ones to adopt, viz. this violation of the law must be stopped by legal means.

Carl Bildt also mentioned the permanent threat against the market economy. The Wage Earner Funds, as they were determined, were serious enough; in many respects they meant serious broken promises, the most important one the fact that the Social Democrats abandoned their pledge not to accomplish the funds without a broad political unity. But expansions are already on the way, both of the Wage Earner Funds themselves and of other systems for collectivizing property.

He who follows the internal debate in the Movement can hardly doubt that Carl Bildt is right in saying that the political fight in the society of the 1990's will be between market economy and socialism.

The principles of a community governed by law, the security of the nation, the integrity of the individual, the preservation of a free economy, none of these constitute bad ideological manifestations of the moderate party in the political issues that are next on the agenda.

At the end, Carl Bildt spoke in plain language about the current debate on the ideology of the Moderates. In many parts he found it "academic" and uninteresting in its fixation on political labels.

He, himself, thought the best label was "moderate." It is not a question of either/or, but a combination of the passion for freedom of the liberal tradition and the conservative emphasis on both individual and joint responsibility. To safeguard the family as the foundation stone of society, is to stand up for personal freedom, as well as giving responsibility to the individual. To safeguard the economy is to apply the fundamental principles of conservatism, to learn from experience. History teaches us that only societies with a free economy can be free.

Perhaps this is not an original philosophy. As far as we can remember, it has been the central theme of the Moderates for the past 15 years. You can read about it in their party program.

During these years, Carl Bildt has been a central figure in the Moderate Party; at 37 years of age, he is a political veteran who has been a major factor in the formation of policy and ideas since 1970. So there is no reason to be surprised by his description of the purpose of the Moderates.

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NEW SIPRI DIRECTOR WALTHER STUETZLE GIVES VIEWS

Stockholm DAGENS NYHETER in Swedish 4 Aug 86 p 14

[Article by Anders Mellbourn: "Defense Necessary"]

[Text] The recently appointed director of Stockholm International Peace Research Institute (SIPRI) is no pacifist. Walther Stuetzle definitely maintains that any arms-limitation agreement must be based on respect for every nation's right to a reasonable defense.

For almost 20 years of its existence now, SIPRI has been headed by British directors with a background in economics or science and a long-term commitment to international academic organizations devoted to peace and arms reduction.

Walther Stuetzle, who will assume the office of director for a 5-year period beginning 1 October this year, but who is already situated in the beautiful SIPRI building near Brunnsviken in Bergshamra, has entirely different qualifications. He is a 45-year old West German sociologist, who has spent most of his time as a planner and Social Democratic expert on armament-reduction issues within the Ministry of Defense in Bonn. Since fall of 1982, when the Social Democrats lost their government mandate, he has been security-policy staff writer for the daily newspaper STUTTGARTER ZEITUNG.

Doctorate

Stuetzle did not want to go into specifics about his future plans for the institute until he formally assumes the office of director, but he was happy to talk about his background, his view of superpower policies and the chances of arms reduction at this time. And, in this connection, he also revealed much of what he thinks SIPRI can do.

Although Stuetzle has a doctorate in international politics and has worked at the Foreign- and Security-Policy Research Institute both in London and in Bonn, he has never been an academic peace researcher. And he is not taken up with the scholarly differences

as to the proper direction of academic peace research, which was so topical last year when the first Swedish professorship was to be added at Uppsala.

"Wherever scientists gather, there always are and always will be rhetorical discussions. But the important thing is to move from theory to practice," he pointed out. "Peace research must provide knowledge politicians can both understand and directly benefit from."

Statistics

Therefore, he thinks it is well that SIPRI has never been involved in academic theoretical discussions. As an example of useful and relevant research, he mentioned the armament statistics and the weapons' development chart provided in the SIPRI yearbook.

But in order to make peace research understandable and readable, books and papers on the subject must be short and easy to read. He leered somewhat at the brick-sized SIPRI yearbook in the bookcase behind him, suggesting that the new director's background as a bureaucrat and reporter could lead to changes in the size of future publications.

For what Walther Stuetzle wants to achieve most of all is to make SIPRI's research useful as a basis for decisions in negotiations concerning arms reduction and weapons control. When diplomats argue about the technical means available for the verification of arms reduction measures, for example, SIPRI shall be of service with expert solutions.

Meeting Place

Above all he hopes that SIPRI, which already recruits people from the East and the West as well as the North and the South, will be a meeting place for the purpose of exchanging ideas and making informal contacts relative to highly important armament problems.

"I shall do my best to create a meeting place here--for serious research, not for propaganda," he pointed out.

In order to have a more peaceful world, leading state representatives must get to know each other and each other's mode of thinking and planning.

"No one should be appointed commander-in-chief in either the United States or the Soviet Union without having spent at least 1 year at a military academy of the other nation.

"This may sound trite to an academic arms-reduction proponent," Stuetzle continued, but for a determined arms-reduction proponent with practical experience, this is an important step.

Confidence

Measures to create confidence, leading to exchange of military information among various nations are viewed by the new SIPRI director as most urgent. These include the areas of negotiation at the Stockholm Conference and, during his years of service in the Ministry of Defense, Stuetzle was particularly devoted to such issues in order to reduce the risk of war in Europe.

However, he does not believe that nations' military machinery as such represents a war threat. On the contrary, he points out that only reduction-of-arms proposals with respect for every nation's natural right to a reasonable defense can succeed.

This West German does not bring the perspective of the German peace movement to SIPRI:

"No, people need to understand that we the proponents of arms reduction have nothing against defense. I highly respect the pacifists, but quite simply do not believe that their ideas are based on reality. Without weapons you can neither prevent an attack nor get rid of encroachers. This has been the experience of many, the last of which the people of Afghanistan."

Reasonable Level

"A reasonable level of defense" is a key concept for Walther Stuetzle, both as a researcher and a defense planner. Arms-reduction efforts must be aimed at getting rid of superfluous arms.

This is the basis on which Stuetzle formulates his criticism of President Ronald Reagan's strategic defense program:

"A strategic defense program can at best produce the same mutual fear we are now experiencing, but on a much higher, more expensive and more dangerous level."

Otherwise, establishing limits for what is "a reasonable level of defense" is a topic that leads this practical thinker to speculate more freely:

"Nonprovocative defense might include military forces that could only be used for defense of one's own country and not to attack another state."

Strategic long-range missiles, for example, would hardly be acceptable.

The Soviet Union

On the other hand, he is prepared to apply somewhat different criteria to a nation that is both a superpower and a regional power, i.e. the Soviet Union in Europe.

But, otherwise, he places the greatest responsibility on the Soviet Union to break the prevailing deadlock between the superpowers. He especially blames former Soviet Foreign Minister and now President Gromyko for failing to achieve relaxation-of-tension in the seventies. He feels that Gromyko failed to understand the psychological effects of deploying Soviet intermediate-range nuclear arms in Central Europe.

"Ronald Reagan would never have become president and his arms program never official U.S. policy if the Soviet Union had stuck to the mutual balance established by the 1972 SALT treaty. Instead, the Soviet Union came up with aid to Cuban troops in Angola, the invasion of Afghanistan, SS-20 nuclear missiles in Eastern Europe and no superpower solidarity when U.S. embassy personnel were taken hostage in Iran. Based on this Soviet manifesto, Ronald Reagan became president and SALT II was sentenced to death.

Concessions

"There is no doubt that the new Soviet leadership has improved the tone," he added. "Gorbachev has made concessions, the most important ones in the area of arms control, which Gromyko would never have agreed to."

At the same time, however, Stuetzle believes that the mistrust concerning arms reduction issues remains so great that only a Soviet peace initiative outside the arms control area itself could speed up arms-reduction negotiations.

As an example, he mentioned a Soviet initiative with respect to Afghanistan. A few days after DAGENS NYHETER met with Stuetzle, Michail Gorbachev announced that the Soviet Union would withdraw a small number of its troops from Afghanistan before the end of the year.

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POLITICIAN SEES DANGER IN COMMUNISM

Istanbul TERCUMAN in Turkish 25 Jun 86 p 8

[Comments by Turgut Sunalp, founder and former chairman of the disbanded Nationalist Democracy Party, at a reception for the third anniversary of the Correct Way Party at the Dedeman Hotel, Ankara, date not given]

[Text] Ankara, UBA--Turgut Sunalp, the independent deputy from Izmir, said that "at this moment, communism is the greatest danger for Turkey." Sunalp said that "the way to cleanse the country of communists is not to annihilate but to reform them" and stated that fascism is a "very remote" danger for Turkey and that it is necessary always to be in a state of vigilance against those who wish to set up a theocratic rule.

Pointing out that he opposes extremism, Sunalp said: "I see communism as the greatest danger. At the same time, while I am against both fascism and theocratic rule, I do have a tolerant view of them." Sunalp also pointed out that it is necessary to have a left-wing school of thought in Turkey and said:

"To have democracy, it is absolutely essential that alongside the right-wing school of thought there should be not only a left wing but also a nationalist outlook. This being so, it is necessary to clear the country of extremists. But the way to cleanse this country of communists is not to kill them, to waste them. The thing to do is to reform them. There are some 'old hands' in Turkey whom everybody knows. These old hands of today were, at one time, communists--and red hot ones at that. But now a large proportion of these people are not communists now; they have reformed. Note it well, the devotees of communism are generally young people. As these find work, get married and, more correctly, become householders, their communism gradually fades away--with the exception of one or two fanatics, naturally."

Pointing out that the home of "international communism" is the Soviet Union and that we have a common border with the Soviet Union, Turgut Sunalp said: "The danger that communism right at our border represents to us, particularly in its guise as international communism, is greater than it is to other countries."

Turgut Sunalp pointed out that fascism was not a great danger to Turkey and said the following on this subject:

"Insofar as I understand, fascism is not a great danger to Turkey today. One may even say that it is a most remote danger to our country. There is also the issue of theocratic rule and it is necessary to be ever vigilant against it, as those who desire it may exploit our holy religion to get organized."

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OPPOSITION LEADER INONU ASSESSED AS POLITICIAN, STATESMAN

Istanbul TERCUMAN 25 Jun 86 pp 1, 12

[Article by Taha Akyol: "Inonu the Son"]

[Text] On television, Ismet Pasha's son looks a lot like his father and that is why I have opted for the heading "Inonu the Son." The points about Erdal Bey that resemble the pasha most are his cautiousness and cool.... Looked at this way, Erdal Inonu inspires the hope that if he comes to power, he will not go for a leftist adventure in a fit of anger or excitement.

A "statist" portrait is keeping with the tradition of the Pink Villa [the ancestral home of the Inonu family in Ankara] was put on display on the TV screen. What Erdal Bey expounded would be of exceptional value to a political scientist for an analysis of our political culture: in the period prior to 1950, Ismet Inonu's labors at the Pink Villa are seen as "in the service of the state." "Labors" identified with "the state"...down through Lutfi Pasha's Asafname to the Babiali dictatorship of the Reform period, the Union and Progress Party period, and the one-party and National Chief period.... This tradition in which the office of "pasha" becomes "the state," is authoritarian--and, having identified itself with the state, regards all opposition as being "opposition to the state."

The Republican People's Party was a "party of pasha." The first opposition party, the Progressive Party, was also established under the leadership of "opposition pashas" led by Karabekir. This party was closed down for the safety of "the state." A similar fate befell the Free Party. Until the advent of the Democratic Party, which was the first opposition party led by civilians, politics was the "profession" of pashas identifying with "the state."

Erdal Bey, quite naturally, does not hanker for a single-party system. Yet the Pink Villa, where he received the first--and basic--formative influences of his life, has produced in this physics professor an exceptionally cautious and--where a renewal is concerned in the direction of his line--"conservative" political outlook.

Did Inonu say that "we shall introduce this particular change" in any concrete issue?

The speaker asks: How will you stop inflation?

Answer: "There are established measures for this. The prime minister, too, knows them. It is not something new to be discovered. The prime minister is not applying them. It is necessary to stop putting the burden on the low-income groups...."

As to how this is to be done, "cautious" Erdal Bey chose not to comment.

Over issues of foreign policy in particular, Erdal Bey behaved--once again in the pasha's tradition--in such a "cautious" and even "tight-lipped" manner as to leave us unable to discern on which points he criticized the government and on which he found it was acting properly.

Politics is a profession of driving ambition. If it were not for the great drive generated by that great ambition, how could one cope with the mind-boggling hardships of politics? One of the things we have not seen in Inonu is such driving ambition. Inonu, where politics is concerned, left on us the impression of "an official doing his duty." In fact, he too said sincerely that it was commonly agreed that he "was not, by character, of the kind of make-up that politics expected.

Extreme cautiousness, a reluctance to address a message to the masses, lack of charisma, vagueness and diffidence on concrete--that is to say the really important--issues.... These are the shortcomings we have observed in Erdal Bey....

What we find positive are his sincerity and dignity. In particular, his following words were truly apt for a scientist: "I have studied the history of our civilization. We create difficulties for ourselves. This has been the case not only in the Ozal period but of old, too.... We fight shy of changing, of new initiatives, and of rescuing our thinking from fixed patterns.

Erdal Bey ascribed this disposition of ours to the extreme cautiousness--to "diffidence," to use his term--induced by the disasters we have experienced!

Our political life is not being prepared for the acid test of whether the Pink Villa will or will not manage to identify with the people! We shall also watch the great difference between "the scientist" and the "politician."

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LEADERS SPEAK OUT ON REASSESSMENT OF 27 MAY 1960

Istanbul TERCUMAN in Turkish 27 May 86 p 12

[Text] Ankara (TERCUMAN) - Reverberations continue from the application to the TGNA [Turkish Grand National Assembly] by the late Prime Minister Adnan Menderes' attorney, Burhan Apaydin, to have the decisions of the Yasslada trials declared legally invalid after 26 years. Apaydin's application is being welcomed in political circles, and TGNA authorities say they will decide upon the method to be used as soon as the application, which was sent by mail, reaches them.

Former Prime Minister Bulent Ecevit said in a statement yesterday, "I wholeheartedly support this initiative." CWP [Correct Way Party Chairman Husamet-tin Cindoruk said, "The TGNA should make a firm, positive decision on the proposal." Free Democratic Party [FDP] Chairman Mehmet Yazar said, "The execution of the three statesmen is a very negative event in the life of our democracy and has left deep scars."

Ecevit's Statement

Bulent Ecevit noted in his written statement that "the legal arrangements and trial methods which went beyond the rules of the civil state will become a problem of conscience sooner or later" and continued:

"It is well for a society to review from time to time and repair insofar as possible the illegal acts which are on its conscience and in the state records. In this way, the commitment to the rules of the civil state gradually become engrained in society, a fair and stable civil order is formed and deeply rooted and then democracy will work better."

Claiming that democracy had actually been dismantled prior to 27 May, Ecevit said in his statement that, in reaction to this, some segments of society had demanded freedom, and the youth of every segment had taken the leadership of this movement upon themselves but had acted peaceably. "But as soon as the movement got into hands other than the youth through the 27 May intervention, the nature of certain aspects changed. The peaceful movement that the youth started was brought to a bloody conclusion in other hands," he said.

Though Pain Does Not End

Bulent Ecevit said that the establishment of a genuine totalitarian regime had been prevented through the initiatives of the RPP, that the transition to a multiparty regime had been complicated by the executions and that this had been overcome only by the parties' common sense. He concluded the statement as follows:

"The late Ismet Inonu, who saw at the time the wounds that the executions would open in society and the damage they would do to the regime, did everything he could to prevent the executions, but without results under the circumstances of that period. Now, it is appropriate after a generation's interval, to correct an historical error and a disturbing deviation from the rules of a civil state, although it will not bring those who died back to life or end the pain of their loved ones. Mr Burhan Apaydin's initiative does not look only at the past, but is also beneficial to the future. I hope that it will contribute to the growing tendency among the public to abolish capital punishment. It would certainly be right in conjunction with this initiative to move the graves of Adnan Menderes, Hasan Polatkan and Fatih Rustu Zorlu to an appropriate place. I announced during my own prime ministry that I was willing to receive a request in this regard. Now, it is a debt of conscience for me to support such an opportunity when it arises."

Cindoruk Comments

CWP chairman and also a Menderes attorney, Husamettin Cindoruk, in an interview with a TERCUMAN correspondent, pointed out that the revolutionary court established in a manner contrary to the fundamental and natural rights of man had decided at the conclusion of an inhumane trial to put Menderes, Polatkan and Zorlu to death and that this decision was a "disgrace" to our political and judicial history. "It was not the defendants who were tried at Yassiada but the basic institutions and values of the republic and democracy. Assembly members with legislative immunity were held accountable for votes they had cast and statements they had made," he said.

Stating that the TGNA must decide that the trial and conviction of Menderes and his colleagues were contrary to the law, to democracy and to the 1924 Constitution, Cindoruk continued:

"As long as the Yassiada decisions are not denounced and considered null by the Assembly, one aspect of our democracy will remain lacking and the national will unguaranteed. When the CWP is elected, it will undertake to have a TGNA resolution passed invalidating the court's condemnation of democracy, Ataturk's assembly and the national will and all the consequences of it and will seek pardon on behalf of the nation from the beloved martyrs to democracy. The CWP feels that it is the fundamental right and duty of our nation to protect the continuity and immunity of the TGNA in order to have continuity of democracy.

"There is one thing in this regard that requires attention. The TGNA must make a firm and positive decision on the proposal. If it rejects the proposal, it will bring about an even more serious crisis of regime and the law. We in the CWP believe that attention must be paid to this matter."

Yazar: "Deep Scars Left"

FDP Chairman Mehmet Yazar said: "The application that Mr Apaydin has made is an important matter involving the techniques and, therefore, expertise, of the law. However, the president of the Yassiada court, in saying, 'The force which brought you here wishes it thus,' cast the law, truth and justice in shadow and roused serious doubts about the legality of the decisions of this court. Nevertheless, these decisions have never found approval in the public conscience. The execution of three statesmen, led by the late Menderes, is a very negative incident in the life of our democracy and has left deep scars upon all of us."

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OZAL DISCUSSES KURDISH PROBLEM

Istanbul TERCUMAN in Turkish 25 Jun 86 pp 9

[Excerpt] Ankara, A.A.—In a speech at a dinner he gave for foreign pressmen, Prime Minister Turgut Ozal pointed out that there was no discrimination in the East and said: "Today, we cannot discriminate between Kurd and Turk in the region. They are both the same nation. They are all Muslim.

Prime Minister Ozal had a meeting at the State Guesthouse yesterday evening with foreign journalists serving in Athens who are now on a visit to our country as Turkey's guests. Immediately on arrival at the State Guesthouse, Ozal was surrounded by foreign journalists and had a friendly chat with them.

Asked by the BBC correspondent to comment on reports that Kurds are being repressed in Eastern and South Eastern Anatolia, Prime Minister Ozal said:

"I was in the East very recently. I visited Urfa, Adiyaman, Siirt, and Diyarbakir. I, too, am from the same region. I am a native of Malatya. Today, we cannot discriminate between Turks and Kurds in the region. They belong to the same nation. They are all Moslems. This issue is like the status of the English and Welsh in Britain; you cannot discriminate. Even I do not know which side my parents originate from. There are Kurdish provincial governors. There are officials at all levels. What really stirs up the region are the extremist Marxist splinter groups, and the reason martial law exists is to deal with these. Nevertheless, martial law may be lifted at the next round, that is, in 4 month's time. It is true that Turkey keeps a large number of troops in this part of its territory. This, however, is due to other reasons."

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OZAL REAFFIRMS FREEDOMS, TELLS ROAD-BUILDING PLANS

Istanbul CUMHURİYET in Turkish 26 May 86 pp 1,11

[Text] Ankara (CUMHURİYET BUREAU) - Prime Minister Turgut Ozal, speaking at a ceremony to open a toll section of the Istanbul-Ankara Highway, said that with the roads that will be opening in the years ahead, Europeans entering the country at Edirne will feel that they are back in Europe after the Balkans. Ozal also spoke at the Ankara Journalists Society, where he mentioned freedom of the press and the punishment of members of the press. "I am not in favor of punishments restricting freedom when people express their opinions," he said.

At the opening ceremony yesterday of a 14-kilometer stretch of tollroad at Azaphane on the Istanbul-Ankara Highway, Prime Minister Turgut Ozal noted that Turkey was on the move and said, "We have obtained a large portion of the \$1.7 billion needed for the 1,000 kilometers of turnpike planned for construction in the years ahead. The rest will be obtained soon. It is not as though it were going to take 25 years to complete 50 kilometers. This highway will be finished in 3-5 years. When we travel on these turnpikes, we will see how much the country has changed."

Highways General Director Atalay Coskunoglu also spoke at the ceremony and said that the road just opened yesterday is a part of the toll road network planned to begin at Edirne and run to the border gates at Gurbulak, Habur and Cilvegözü in the east.

Public Works and Resettlement Minister Safa Giray referred to the 350,000 kilometers of highway now existing in Turkey and pointed out that this will be expanded to 800,000 kilometers within 30 years.

Following the sacrifice and prayer, Prime Minister Ozal then opened the road to service and, driving the official car himself, paid 1,000 liras' toll and was the first to travel on the new road.

Two-axle vehicles such as motorcycles, automobiles, pick-up trucks and mini-buses will pay a 500-lira toll, large trucks and buses will pay 1,000 liras, three-axle vehicles will pay 2,000 liras and vehicles with four or more axles will pay 3,000 liras.

At Journalists Society

Prime Minister Ozal, in a speech at the Ankara Journalists Society general assembly meeting, said that he does not favor punishing people who express their opinions by restricting their freedom and noted that these punishments would definitely be rescinded and that he thinks it reasonable to replace them with other punishments.

Prime Minister Ozal pointed out that he loves members of the press the same as he loves all people and that they were granting new opportunities to journalists at home and abroad. Explaining that Turkey has a free press and that he is criticized and pricked with needles large and small every day in the press, Ozal noted that he nevertheless has no complaints about the press and tells that to foreigners also. He pointed out that he had experienced good and bad days with the press since 1980 and said, "I have learned a lot in these 6 years. I have learned whether one should be angry at the press. When we show the slightest sign of anger, it is possible to see it in the press immediately. We have to be careful, therefore."

The prime minister drew attention to the important role of the press in the formation of public opinion in Turkey, as elsewhere in the world, and said, "I do not think any politician would ignore this. The politician must learn to take advantage of this." He continued:

"In this period we have been going through, we believe there have been some days when we were unfairly criticized and perhaps some days when we learned, or admit, that we were wrong. One of these is the paper price hike which caused a great deal of discussion and writing in the press against us. Of course, being the administration in office, we always defend ourselves. We believe in free competition and are in favor of allowing the state-owned enterprises to operate without losses and without any special advantages. This is one of the main principles we have expounded since the elections. We are keeping our promises and holding steady to the course we set. Maybe we made a mistake here. People came to us and made requests. They said, 'The press is in a jam, don't raise paper prices.' We waited, and the longer we waited, the higher the hike became. In all, we waited from September or October 1984 until the end of June 1985. Of course, that made the hike even higher."

Assembly Speaker Necmettin Karaduman also spoke at the convention and stressed that the Turkish press holds an important position at the foundation of the republic.

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3554/106

FULL EEC MEMBERSHIP, FREEDOM OF MOVEMENT LINKED

Early Membership Application Expected

Istanbul CUMHURIYET in Turkish 25 Jun 86 pp 1, 13

[Text] Ankara (the CUMHURIYET BUREAU)--After the meetings that Claude Cheysson, the man in charge of the Mediterranean and North-South relations for the EEC Commission, held in Ankara last week, he estimates that Turkey will make its application for membership shortly before 1 December, the date on which free circulation should begin, have been gaining strength.

During his talks with EEC Council member Cheysson, Prime Minister Ozal agreed to defer the right of Turkish workers to free circulation and said that the question of the freedom of circulation would be taken up in the course of the talks to be held on Turkey's full EEC membership as part of a package deal. In linking freedom of circulation to the issue of full membership, Prime Minister Ozal adopted an orientation aimed at compensating for the loss caused by deferring freedom of circulation by making the application for full membership.

Within this framework, the belief that the Ozal government will make the application for full membership coincide with a date close to 1 December--the theoretical date on which free circulation will begin--has become a widely-held opinion in diplomatic circles in the capital. While Turkish officials avoid naming a definite date for the submission of the application, they are not making a secret that "Ozal is determined to submit the application as soon as possible."

The first estimate by diplomatic circles in the capital is that the submission will be timed for the Partnership Council meeting due on 16 September. It is, however, understood that the EEC Commission is keen to avoid any hitch that may impede the successful outcome of the Partnership Council session and therefore does not wish the meeting to become the scene of an official application that might prove controversial. It is understood that during his talks in Ankara, Cheysson passed on covertly the message that it is necessary to avoid acts that would bear upon the success of the meeting and he got the impression that the Turkish side would show understanding on this subject.

Estimates by diplomatic circles regard a Turkish application to the EEC for full membership in November as a strong possibility. The sources of this assessment put it thus: "If the application is submitted in November, the Partnership Council will have been left behind and at the same time enable Turkey to put on record its goal of full membership in return for deferment of free circulation by making its move before 1 December."

On the other hand, it is understood that the free zones to be set up in Turkey constituted an important item on Cheysson's talks with Ozal, and that Cheysson made it known that in the event of the materialization of Turkey's full EEC membership it would be necessary to abandon the free-zone scheme to comply with EEC legislation.

Freedom of Movement Draft Completed

Istanbul CUMHURIYET in Turkish 25 Jun 86 p 8

[Text] Brussels, A.A.--It is understood that the proposals drawn up by the EEC Commission in connection with the free circulation of Turkish workers will be submitted to the council this week.

Sources close to the commission have explained that the result of the visit to Turkey by Claude Cheysson, who is responsible for Mediterranean countries, is awaited before the submission of the proposals.

It has been pointed out that the articles concerning free circulation which have been turned into a draft resolution are not much different from the principles disclosed last March, and that they merely provide each member country with the possibility to implement the provisions of their own national laws. Within this framework, Greece will be entitled to ask that free circulation not be implemented, for security reasons, in Greece. It has also been said that West Germany may ask for implementation to be deferred, on grounds of the unemployment problem, to 1992 or 1995, or to be completely cancelled.

It has been stated that the draft resolution may be discussed before 16 September, if there is no obstruction by Greece and West Germany, at the lower levels of the council, which is the supreme decision-making organ of the EEC. In such a case, the council is expected to take the matter up in July at the earliest. On the other hand, there is talk of the existence of an "on-with-it" group which wants to settle the matter as soon as possible and the view of this group is summed up as follows: "Turkey is ready to make concessions on this issue. Let us, without dragging the matter on too much, wrest the concession and defer free circulation." These circles are claiming that in return for accepting the deferment of the right of free circulation, Turkey is asking for a guarantee on the subject of full membership.

The proposals drawn up by the commission are as follows:

- Improvements will be made in the status of Turkish workers and their families with legal residence in EEC countries, and discriminatory practices concerning living and working conditions for them shall be eliminated. Within this framework, facilities will be ensured for the workers on the issues of settlement, employment, and visas.

- The conditions concerning the employment of Turkish workers in EEC countries shall be defined. It has been stated that this is the article that provides for the implementation by each country of its national laws.

- In the event the labor force requirements in any particular field cannot be met from among the citizens of community member countries, Turkish workers will be given preference.

- A Turkish worker who works in a particular branch of labor for a period of 3 years shall be entitled to apply for employment in the same branch of labor in another country. Those with 4 years of service will be entitled to seek work in other branches as well.

- Member countries shall cooperate and provide facilities for the development of Turkish workers and their families in the social and cultural fields and in their professional training.

- Facilities necessary for the reunification of family members will be provided. The same will apply where the completion of the education of children is concerned.

The draft proposal also includes a provision that Turkish workers will not be fully entitled to enjoy free circulation rights that are not yet enjoyed by all workers of member countries. Greek workers will be entitled to enjoy these rights as of 1987 and Spanish and Portuguese workers as of 1992.

Currently, there are 1,910,000 Turkish workers in EEC countries. Germany leads with 1,552,000 Turkish workers, followed by the Netherlands with 154,000, France 124,000 and Belgium 68,000.

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NEW CIVIL SERVICE SALARIES SET

Istanbul CUMHURİYET in Turkish 25 Jun 86 p 6

[Article by Yilmaz Sipal: "Coefficient Brought Nothing New"]

[Text] The coefficient increase is a disappointment to civil servants, but does the most damage to workers who pay SSK [Social Insurance Organization] premiums and small businessmen who pay BAG-KUR [Independent Social Security Association] premiums. Along with the coefficient rise from 56 to 62, SSK premiums go up as of 1 July by 9,330 liras, from 70,860 liras to 80,190 liras. BAG-KUR premiums increase also, and the premium paid by those in step 12, the highest category, rises from 7,616 liras to 8,432 liras. The changes go into effect on 1 July.

According to the new tables, the premium deduction for a worker who pays the SSK premium ceiling will rise by 1,306 liras from 11,180 to 12,486 liras. The higher coefficient also makes way for a higher ceiling on worker severance pay. The only positive increase for the labor sector, the severance pay ceiling, is 21,600 liras. The severance pay ceiling of 201,600 liras annually, derived by multiplying the highest indicator, 3,600 liras, by the coefficient, 56, rises to 223,200 liras with the rise to 62 of the indicator [as published: coefficient].

The coefficient change, which will become definite upon publication in the RESMI GAZETE, will affect, in addition to civil service salaries, the monthly pensions which retirees, widows and orphans receive from the social security organizations.

Pension ceilings, at a 70-percent rate, rise from 141,120 liras to 156,240 liras for Retirement Fund retirees, from 44,688 liras to 49,476 liras for SSK retirees and from 26,656 liras to 29,512 liras for BAG-KUR retirees.

The civil service salary increase will be around 10 percent. The net salary of the highest-category state employee will rise on 1 July from 136,774 liras to 151,267 liras, an increase of 14,493 liras using the 3,600 indicator. The lowest civil service salary, at grade 15, step 1 and figured at the 380 indicator, will rise from 15,778 liras to 17,308 liras, excluding fuel aid. The lowest civil service salary will increase by 17.59 percent with the addition of fuel assistance.

Fuel assistance was raised from 18,500 liras to 23,000 liras for civil servants and retirees on 1 July 1986 also. This assistance will rise from 16,000 liras to 18,500 liras for SSK retirees and from 4,935 to 6,135 liras for BAG-KUR retirees.

Supplemental Indicator Equivalents for Salaries, Retirement Pensions

1986 Supplemental Indicator	Salary Gross	Pension Net	Retirement Pension 70%
2,200	136,400	91,525	95,480
2,000	124,000	83,204	86,800
1,800	111,600	74,884	78,120
1,600	99,200	66,563	69,440
1,400	86,800	58,243	60,760
1,300	80,600	54,083	56,420
1,200	74,400	49,923	52,080
1,100	68,200	45,763	47,740
1,000	62,000	41,602	43,400
800	49,600	33,282	34,720
600	37,200	24,962	26,040
400	24,800	16,641	17,360
300	18,600	12,481	13,020
200	12,400	8,321	8,680
100	6,200	4,161	4,340

Net Civil Service Salaries According to 62 Coefficient (Excluding supplemental indicator, fuel assistance)

Grade Step

	1	2	3	4	5	6	7	8	9
1	52.255	54.751	57.247	59.743	—	—	—	—	—
2	46.391	47.679	48.967	52.255	54.751	57.247	—	—	—
3	39.774	41.646	43.518	46.391	47.679	48.967	52.255	54.751	—
4	35.408	36.882	38.318	39.774	41.646	43.518	46.391	47.679	48.967
5	31.082	32.910	34.158	35.408	36.882	38.318	39.774	41.646	43.518
6	26.542	28.582	30.622	31.082	32.910	34.158	35.408	36.882	38.318
7	22.046	23.677	25.710	26.542	28.582	30.622	31.082	32.910	34.158
8	24.174	24.798	25.422	26.046	26.677	27.710	28.542	29.582	30.622
9	22.391	22.925	23.560	24.174	24.798	25.422	26.046	26.677	27.710
10	21.053	21.488	21.885	22.391	22.925	23.560	24.174	24.798	25.422
11	19.808	20.221	20.637	21.053	21.488	21.885	22.391	22.925	23.560
12	19.181	19.388	19.587	19.808	20.221	20.637	21.053	21.488	21.885
13	18.957	18.785	18.973	19.181	19.388	19.587	19.808	20.221	20.637
14	17.933	18.141	18.349	18.557	18.785	18.973	19.181	19.388	19.587
15	17.308	17.517	17.725	17.933	18.141	18.349	18.557	18.785	18.973

[In Turkish Liras; convert decimals to commas]

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CSO: 3554/133

Civil Service Retirement Pensions After 25 Years According to 62 Coefficient
(Excluding supplemental indicator, social assistance increase)

Grade Step

	1	2	3	4	5	6	7	8	9
1	52.946	55.532	58.158	60.769	—	—	—	—	—
2	46.787	48.174	50.591	52.946	55.532	58.158	—	—	—
3	39.928	41.881	43.854	45.787	48.174	50.591	52.946	55.532	—
4	35.371	36.880	38.409	39.928	41.881	43.854	45.787	48.174	50.591
5	31.465	32.787	34.098	35.371	36.880	38.409	39.928	41.881	43.854
6	28.210	29.295	30.363	31.465	32.787	34.098	35.371	36.880	38.409
7	25.608	26.474	27.342	28.210	29.295	30.363	31.465	32.787	34.098
8	23.653	24.304	24.955	25.608	26.474	27.342	28.210	29.295	30.363
9	21.700	22.351	23.002	23.653	24.304	24.955	25.608	26.474	27.342
10	20.368	20.832	21.296	21.700	22.351	23.002	23.653	24.304	24.955

[In Turkish Liras, convert decimals to commas]

SSK Retirement Pensions According to 62 Coefficient
(70% pension, excludes social assistance increase)

Grade Step

	1	2	3	4	5	6	7	8	9	10	11	12
1	48.088	43.281	48.435	48.088	48.782	48.888	48.129	48.383	48.478	—	—	—
2	48.084	48.178	48.382	48.525	48.699	48.872	47.946	47.220	47.383	47.587	47.740	47.914
3	43.871	44.068	44.268	44.442	44.616	44.789	44.953	46.138	46.310	46.484	46.587	46.831
4	41.858	42.012	42.165	42.309	42.532	42.705	42.889	43.053	43.227	43.400	43.574	43.748
5	38.755	38.928	40.102	40.276	40.449	40.623	40.796	40.970	41.144	41.318	41.491	41.664
6	37.672	37.945	38.019	38.182	38.385	38.548	38.714	38.887	39.060	39.234	39.408	39.581
7	35.588	35.782	35.938	36.109	36.283	36.456	36.630	36.804	36.977	37.151	37.324	37.498
8	33.505	33.678	33.852	34.026	34.200	34.373	34.547	34.720	34.894	35.068	35.241	35.415
9	31.422	31.586	31.769	31.943	32.116	32.290	32.464	32.637	32.811	32.984	33.158	33.332
10	29.338	29.512	29.685	29.860	30.033	30.207	30.380	30.554	30.728	30.901	31.075	31.248
11	27.256	27.429	27.603	27.776	27.950	28.124	28.297	28.471	28.644	28.818	28.991	29.165
12	25.172	25.346	25.520	25.693	25.867	26.040	26.214	26.388	26.561	26.735	26.908	27.082

[In Turkish Liras; convert decimals to commas]

MINISTRY PLAN FOR HEALTH PROBLEM

Istanbul CUMHURİYET in Turkish 26 Jun 86 pp 1, 8

[Article by Betul Uncular: "Mini-Hospital: New Solution to Health Care"]

[Text] Ankara - The Health and Social Assistance Ministry has decided to set up 283 mini-hospitals in certain district capitals that lack state hospitals but have a population of more than 10,000 and in district capitals with a population below 10,000. In addition to certain districts in Siirt, Urfa, Tunceli, Van, Maras, Mardin, Adiyaman, Agri, Bingol, Bitlis and Hakkari, mini-hospitals are expected to be built in coastal districts such as Bodrum, Datca, Koycegiz, Cesme, Sile, Foca and Erdek.

Authorities said that health centers with the appearance of mini-hospitals will take the place of the clinics which were closed earlier for technical inadequacy. They said the mini-hospitals will attempt to resolve health problems locally, that patients will go to the large cities in serious cases and, thus, overcrowding in the city hospitals will be largely relieved.

The projected health centers will consist of departments for "general practice, obstetrics, pediatrics, food and environmental health, dentistry, laboratory, pharmacy and administrative services." Duties of the departments will be:

General practice: Forensic medicine; clinic services; treatment and monitoring of contagious and social diseases (such as mental health, malaria, trachoma, tuberculosis, parasitic diseases, syphilis, leprosy, etc.); treatment of patients admitted to the center other than for pediatrics, childbirth and gynecology; public education and personnel training.

Obstetrics: Childbirth services; pregnancy testing and prenatal care; family planning services; planning, performing, supervising and evaluating the training as to maternity care of health and assistant health personnel at clinics within the district and of midwives at maternity centers; testing and treatment of patients admitted to the center for childbirth or women's diseases.

Pediatrics: For children to 14 years of age: health services, inoculations, testing and follow-up services for children, training in child health of health and assistant health personnel at village clinics within the district, preparing, supervising and evaluating service plans.

Food and environmental health: Overseeing services provided by the municipalities as related to environmental and nutritional health within district and municipal boundaries; taking specimens when necessary, sending them to the laboratories and taking emergency measures; taking care of procedures for institutions subject to licensing; epidemiological evaluations of illnesses stemming from food or the environment; educating the public.

Dentistry: Services such as dental examinations, pulling and filling teeth, preventive care for dental and oral health, surveys necessary to promote dental and oral health, public education.

Laboratory: Providing laboratory services for patients admitted to the center and for out-patient services, providing laboratory services deemed necessary for public health.

The head surgeon of the health center will also be health group chairman. The head surgeon will be responsible to the district officer and health director for the overall conduct of preventive services and treatment at the health establishments throughout the entire district.

The head surgeon will devise a program for home visits by midwives, nurses and health officers at the health center and the reporting of results to the appropriate departments.

Health centers will have a total of six doctors. There will be one health officer in the general practice department; one doctor, three nurses and three midwives in the obstetrics department; one doctor and two nurses in the pediatrics department; one doctor, one environmental health technician and one health officer in the nutrition and environmental health department; one technician and one assistant technician in the laboratory; one dentist and one pharmacist.

8349

CSO: 3554/133

BRIEFS

ARAB NATIONS SEND FOREIGN WORKERS HOME--Arab nations with reduced oil income are saying they have completed their development and ongoing construction and are starting to talk of "compulsory return" for the foreign workers they employ. The Iran-Iraq war reportedly also is instrumental in this decision by the Arab countries. Approximately 2 million foreigners are in Saudi Arabia first, then Kuwait, Bahrain, Qatar, the United Arab Emirates and Oman. A reported 200,000 of these workers are Turks who will be greatest affected by the repatriation decision. Most foreigners are employed in construction work. However, the small countries such as the UAE employ foreigners in everything from police work to military service. The first to return home when construction began to slow down were the South Koreans, whose numbers have dropped from 130,000 to 50,000. According to the plan prepared, Kuwait has decided to send 30,000 people home and the UAE, 20,000. Those returning from these countries are mainly Jordanians and Egyptians. [By Mustafa Yalcin] [Text] [Istanbul GUNAYDIN in Turkish 25 Jun 86 p 6] 8349

CSO: 3554/133

BRIEFS

TRNC AS ECONOMIC FREE ZONE--Ankara, from the CUMHURIYET BUREAU--The topic of turning the Turkish Republic of North Cyprus into a free zone is to be the focus of attention during the visit Prime Minister Turgut Ozal will pay to the TRNC next week. According to authoritative circles, the preparations at a technical level, held at the State Planning Organization [SPO] with the participation of TRNC experts to transform the TRNC into a free zone, have been given the final touches. It is understood that along with these preparations at the SPO, similar work was carried out at the Central Bank on the foreign exchange regulations to be implemented in the event the TRNC becomes a free zone. These reports drawn up at a technical level will form the center of gravity of the talks Prime Minister Turgut Ozal will hold in Nicosia with Dervic Eroglu, the TRNC prime minister. In statements made after coming to power, Prime Minister Ozal said that the TRNC urgently needs to make a leap forward in the economic field in order to shake itself free from its political isolation and that transforming the TRNC into a free zone would be extremely beneficial from this viewpoint. In his statements to journalists in Istanbul last week, Ozal emphasized that the question of strengthening of the TRNC economy would be the focus of his visit. It is understood that a free zone similar to Singapore and Hong Kong is to a large extent the basis for the model of the free zone prepared by the SPO with the participation of TRNC experts. It is planned to give place of pride to banking, tourism, and commerce in the implementation of the TRNC free zone. In that event, every kind of commercial and investment activity in the TRNC will be transacted customs- and tax-free. Efforts will be made to attract the attention of foreign banks to this free zone. It is expected that a developed banking and commercial life will enliven TRNC tourism as well. [Text] [Istanbul CUMHURIYET in Turkish 25 Jun 86 pp 1, 13] 13184/12913

CSO: 3554/107

OECD FORESEES SLOWING IN COUNTRY'S ECONOMY

Helsinki HELSINGIN SANOMAT in Finnish 5 Aug 86 p 16

[Article: "Finland's Economy Beginning to Slip from Its Road of Stable Growth. OECD Blames Incomes Policy for Slow Growth. OECD Report"]

[Text] This year the growth in Finland's economy has not been as rapid as in the other European OECD countries. The last time Finland fell below OECD's average was in 1978.

The Organization of Economic Cooperation and Development, OECD, predicts a two-percent growth rate in Finland's gross national product for this and the following year. The average growth rate in Europe is estimated to be approximately 2.75 percent this year and 2.5 percent next year.

According to the economic report made by the secretariat of OECD, unemployment will go up in Finland in the next few years. The organization predicts that next year the unemployment rate will be close to seven.

According to OECD estimates, the increase in consumer prices this year will be half of last year's figure, i.e. about three percent. The reason for this is the decline in import prices. Next year, the consumer prices may rise more again, since imports are not likely to become less expensive than currently and, in Finland, there are pressures caused by the adjustments in incomes policy agreements and pay scales.

However, OECD predicts that, in the next few years, the inflation rate will be the same in Finland as in its competing countries.

Economic Policy Rather Successful

In the next few years, exports will not flow east or west, so that mainly the private and public consumptions will push the economy forward.

OECD has observed that Finland's economy has begun to adjust to the change in the export markets. The development is seen in the recent company mergers and the specialization in certain fields.

According to OECD, Finland's economic policy in the 1980's has been rather successful. Finland was quick in adjusting to the time following the second oil crisis and it has adopted an even more flexible finance policy than before. Also, the exchange rate of the markka has been kept stable with more determination than before.

According to OECD, the policy has some unavoidable disadvantages: the share of investments in the gross national product has diminished and the interest rate has gone up. At the same time, the competitive ability has deteriorated and the public debt increased.

Special Report on Labor Markets

In its report, OECD pays special attention to Finnish income policy. The organization considers the pay scales more flexible, and speculates that the reason for this is the income policy which emphasizes taxes. The flexibility is considered one of the reasons that Finland's unemployment rate has not been as high as elsewhere in Europe.

On the other hand, the organization considers the Finnish manner of agreeing on various tax deductions in the wage and salary negotiations dangerous. According to OECD, playing around with taxes has become too obvious. Also, tax deductions contribute to the public debt increase. It may be difficult to control debt growth while the interest rate is high.

Incomes Policy Eating Away Competitive Ability

OECD warns that slackening of discipline in wage and salary negotiations may also influence the stability of the exchange rate policy in the long term. Therefore, the organization advises Finland to improve the functioning of its labor markets.

According to OECD, Finland's incomes policy is not moderate enough compared to its competitors. It is eating away Finland's competitive ability and forces Finland to maintain a higher interest rate than other countries. If smaller increases in wages and salaries had been promised for the next two years, the exchange rate of the markka could have been kept stable at a lower cost. Unemployment would have remained lower and the external [trade] balance better, states OECD.

The energy tax reform will improve Finland's position, particularly next year. It comes too late this year to improve competitive ability. Also, with the decline of the dollar rate, the forest industry, in particular, will again have strong competitors in North America.

12956

CSO: 3617/153

MINISTER WARNS CREDIT LIMIT IN USSR TRADE MAY REACH 2 BILLION

Helsinki HELSINGIN SANOMAT in Finnish 5 Aug 86 p 16

[Article: "Credit Limit in USSR Trade in Danger of Being Exceeded by Billions. Laine Suggests Special Interest-Bearing Account for Surplus"]

Credit limit in trade with the USSR is being exceeded. According to Foreign Trade Minister Jermu Laine (Soc.-Dem.), there are no rapid supplementary imports being considered to prevent a considerable overrun of the current credit limit, 300 million rubles, i.e. about 2.2 billion markkas, during the second half of the year.

Laine reported in Rovaniemi on Monday that the current value of exports to the Soviet Union is about equal to the credit limit, i.e. 300 million rubles higher than the value of imports. This means a corresponding credit to the Soviet Union, he said.

"If the circumstances do not change, i.e. if the oil price does not begin to go up or if we cannot find significant supplementary imports rapidly, it can be estimated, based on the volumes in this year's countertrade meetings and on the current prices, that at the end of the year our interest-free clearing of receivables would amount to at least 700 million rubles. We cannot allow this to happen," Laine said.

"We were able to predict that the credit limit would be exceeded although the continuing decline of the price of oil has contributed to penetrating the ceiling as early as at the beginning of August," said Laine.

Laine Predicts Continuing Decline of Oil Prices

According to Laine, it also seems likely that our purchase price for crude oil may go down even more in the near future. In that case, the barrel price of oil would fall even below the level of 10 dollars, although the real prices of oil today are lower than before the price shocks of 1973-1974.

Laine warns that the negotiations concerning next year's countertrade meetings would have to be begun in most unfortunate circumstances if, by the end of the year, the credit limit would have been exceeded by several hundred million rubles.

"This would lead us into being prepared, in the countertrade meetings of 1987, to reduce our export quotas to levels drastically lower than they are now--theoretically diminished by as much as one third."

Laine suggests immediately considering all available means to prevent exceeding the credit limit.

"Only considerable re-exportation and trading operations could significantly slow down exceeding the credit limit. Unless we can prevent exceeding the balance by deliveries of goods to Finland or elsewhere, the trading partners will have to consider the possibility of transferring our receivables exceeding the credit limit from the clearing-system into a separate interest-bearing account, he suggested.

At the beginning of the century, a special system of receivables similar to the one recommended by Laine, was used.

If the import prices do not rise significantly during the period of the general agreement, the repayments of such receivables should be paid in a manner which will not prevent maintaining our exports, in the years to come, at the high level prescribed in the general agreement, Laine emphasized.

12956

CSO: 3617/153

SOCIAL SECURITY EXPENDITURES, DEFICIT ANALYZED

Paris LIBERATION in French 21 Jul 86 p 5

[Article by Francois Came]

[Text] Increased assessments, a limit on expenditures, accounting artifices: Nothing seems to work. Social Security is still in a deficit that promises to be long-lasting. It will be 18 billion francs in the hole next year. A nice headache for Minister Philippe Seguin.

Social Security is beginning to resemble a golf course again. It will be nearly 17 billion francs in the hole this year, despite measures recently adopted by the government. However, this first hole is of average difficulty: 21 billion in cash holdings accumulated last year make the course easy. But barely into 1986, the troubles have begun again: The 1987 deficit will be just as large. And this time, the coffers will be empty.

The accounting report for the general wage scheme, to be presented officially Thursday, paints an overall picture that is even considerably more dramatic, since it does not include new revenue announced recently by Philippe Seguin. If the government had not decided to raise income tax by 0.4 percent, the "natural" deficit would have been 20 billion francs for this year, and 37.8 billion next year. This is enough to warrant desperate appeals to the government to observe strictly the joint RPR-UDF platform and begin a "liberal" reorganization of Social Security.

For the deficit once again appears to be structural. The positive results posted for 1985 cannot delude us. The 13.4 billion francs of apparent surplus actually hide a result close to zero (+0.7 billion). Only the accounting measures enacted by Pierre Beregovoy and Georgina Dufoix artificially inflated the accounts. "The artificial carry-over of global hospital operating payments from December 1985 to January 1986" and "the deferral of family allowance payments to the beginning of the following month" were able to disguise reality for a short time. However, in the long run these steps only postpone the problems.

The problems on the expenditure side are easily identified. Neither family allowances (for lack of children) nor benefits for work-related accidents are in deficit (see graph). And they should not be before 1987, unless the Family

Plan prepared by Michele Barzach proves to be very costly. Medical benefits (soon) and old-age pensions (already) create the Social Security deficit alone. Hospitalization expenditures (52 percent of health expenses) decreased slightly in 1985, but should go back up to a rate of 9 percent in constant francs this year.

Outpatient medical expenditures for their part grew by 6.2 percent last year, and should continue to rise rapidly. Pharmaceutical expenditures even slightly exceeded the 8 percent rise in 1985, and are not expected to slow down this year.

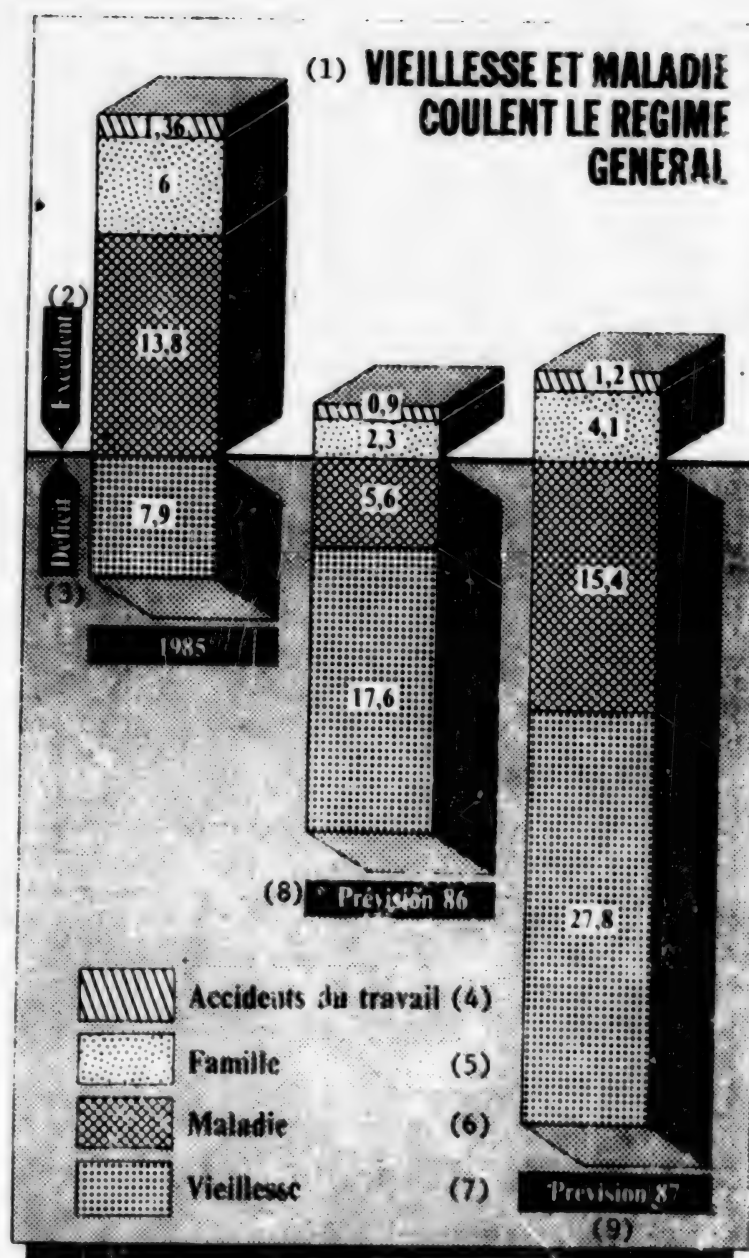
As for old-age pensions, they merely reflect a population trend accentuated by a lowering of retirement age. Some 390,000 people will receive retirement pensions this year, costing 11.5 billion francs next year. And the ratio of assets to liabilities continues to deteriorate. There was one pensioner for 4.6 contributors in 1960, and the ratio is now 1 to 2.7....

On the revenue side, the trend appears just as negative and inescapable. Assessments on employed wage-earners are affected as much by unemployment (100,000 more jobless means 3.5 billion less for Social Security) as by relatively low wage increases. And overall, expenditures and receipts are constantly moving further apart: The gap in their respective growth, over 3 percent for medical expenses, will reach 6 percent this year for pensions, Philippe Seguin recently pointed out.

The minister of social affairs succeeded for the time being in avoiding a lengthy debate on social security and retirement financed by individual savings by convincing the government of the principle of an increase in nonrecurrent receipts, partially secured by taxable income. But the delay obtained could be brief. As Seguin pointed out to Andre Bergeron in Epinal on Saturday, when he came to visit him in his district:

"A lot of people would take advantage of a failure in our discussions to attack the very principles of the institution."

The warning goes clearly to the heart of the government. People like to tell the Labor Ministry that "social security would be easy to manage if it were entitled to a deficit of 145 billion," a reference to the government budget deficit managed by the "liberal" Balladur. But pressure is mounting every day. And a plan of drastic cutbacks could well in the long run be the price to pay for avoiding a revision of "the very principles of the institution." Unless the government should finally decide to revise the privileges which the liberal professions, farmers, or artisans enjoy, to the detriment of wage-earners who make up for the deficits in these areas.



[Key to graph:]

1. OLD AGE AND ILLNESS DRAIN THE GENERAL SCHEME
2. Surplus
3. Deficit
4. Work-related accidents
5. Family allowance
6. Medical benefits
7. Old-age pensions
8. 1986 Estimate
9. 1987 Estimate

9805/12379

CS0: 3519/234

NEW UNEMPLOYMENT PROGRAMS, STATISTICAL CHANGES ANNOUNCED

Paris LIBERATION in French 24 Jul 86 p 8

[Article by Francois Came]

[Text] Philippe Seguin and Edouard Balladur have signed an agreement that should reduce unemployment statistics. The innovations will affect domestics and peripheral jobs and include community service programs similar to the TUC.

The Employment Plan Philippe Seguin has been brewing for a number of weeks is nearly ready to be served. The final compromises are still to be made. But Edouard Balladur, who holds the purse strings, gave his agreement in principle Tuesday morning during a meeting with his colleagues in Social Affairs. And the primary measures designed to both reduce the number of job seekers and "fill the gap between traditional employment and unemployment" (according to a member of the government) have been disclosed. They are essentially based on three types of innovations:

"Household Employees"

Or more simply, the thorny problem of domestics. From now on, it would be possible to deduct from taxable income all or part of the wages paid to maids, chauffeurs or babysitters. In short, all jobs, even if only a few hours a week, offered by individuals to other individuals would entail entitlement to tax benefits. It makes sense fiscally, Philippe Seguin insists, because this money is actually taxed twice, once on the employer's income and another time on the employee's. Socially, the question is more delicate. First of all, the measure applies to high-income brackets, those able to hire household help. But especially, it might not create any jobs, at the very most by encouraging these people to declare their household employees more often than in the past. However, the measure will have a very beneficial effect on unemployment statistics, in cases in which these domestics used to be able to work without declaring it while still being enrolled with ANPE. The Labor Ministry estimated a short time ago that the measure could reduce job seekers by 200,000 people between now and the end of 1987. But Edouard Balladur has singularly reduced his colleague's claims. Seguin initially envisaged a 100 percent deduction on wages paid up to one or two wage-earners. But this plan would cost the Tax Department some 3.5 billion francs.

Community Interest Programs, or PIL

This measure would actually only extend the TUC beyond 25 years, while confining these jobs useful to the community to the jobless who are reduced to solidarity allowances (182,000 potential beneficiaries). The logic is simple: It is better for people to be useful than to remain unemployed. A practical advantage is that these new TUC would no longer be counted in the unemployment statistics. The minister of social affairs intends to reduce the figures for job seekers by some 100,000 persons. At last word the targeted figure was only 50,000. A result of this sort would, however, be surprising: The communes have already made a tremendous effort with the TUC (200,000 currently), and may not be able to repeat it. For, although the measure is financially neutral for the government, which would just continue to pay the solidarity allowance (about 2,000 francs), local employers would have to supplement the salary by paying a "work premium" which could be between 500 and 1,000 francs.

"Peripheral" Jobs

The thinking behind this measure is more revolutionary. For the minister of social affairs, the idea of "activity" will increasingly fall somewhere between traditional employment and pure and simple unemployment. This follows the American pattern, with its proliferation of small, frequently precarious jobs in the services. A French example of this would be the 850 newspaper delivery boys employed by the REPUBLICAIN LORRAIN in the region of the minister of social affairs. An individual job contract would thus have to be signed, creating some 200,000 "peripheral jobs." In this case, the beneficiary of the job would not legally be the wage-earner (but rather an artisan). He could thus be paid less than the SMIC. Seguin intends to thwart some liberals in the government who are launching a renewed offensive on the minimum wage. But the unions will undoubtedly protest this measure to consecrate precarious jobs. This will be at the heart of the debate when the Seguin plan is published shortly.

9805/12379

CSO: 3519/234

BANK OF GREECE DIRECTOR: IMPROVEMENT IN ECONOMIC SITUATION

Athens I KATHIMERINI in Greek 29 Jul 86 p 7

[Text] The plan to stabilize the economy has already begun to bear fruit. This was confirmed by the director of the Bank of Greece, Mr. Dim. Khalikias, in a conversation he had with financial reporters.

Specifically, he said that:

First. Since the first of the year inflation has climbed at slower rates and it is possible to attain the goal of the plan of a 16 percent increase, while in 1987 it could drop below 10 percent.

Second. The adjustment is slower in the balance of payments, but there will be improvement there as well. Already, according to Bank of Greece estimates, a significant improvement will be noticed during the second half of the year. It is noteworthy that, in July, the balance of payments has been active for the first time after a long spell.

The director attributed these improvements to the fact that the measures enacted last October have now begun to influence the consumer's buying habits. He said that the consumer now adjusts his demand to his income and that presently business is under pressure not to pass on to the consumer every cost increase and, at the same time, business brings in capital from abroad to meet its needs. Additionally, faced with the shrinking domestic market, business seeks an outlet in the international market. As Mr. Khalikias said, the Bank of Greece has already approved requests by business to import loan capital with a right to re-export it.

Mr. Khalikias added, however, that his optimism for the success of the stabilization plan is based on the condition that the measures will continue to be applied seriously and without any relaxation. The recent government measures to limit credit and the readjustment to the price indexes of public enterprises show the resolve of the administration to succeed in the stabilization.

The way things were, Mr. Khalikias pointed out, there was no other solution but the stabilization policy. The imbalance of the economy, both abroad and domestically, was so serious that they could only be offset with adjustment measures that by nature are slow to produce results.

Both the private and public sectors are in need of updating and efficient operation.

The private sector, for which we must do whatever is necessary to increase its investments, cannot always depend on subsidies and other kinds of aid and is in need of exposing itself to the pressure of competition.

Mr. Khalikias admitted that the cost of stabilization falls unfairly on the working class; however, the government makes every effort to have a more equitable distribution of the burden. It is indicative that with the limiting of credit, business was forced to mobilize its own resources and not to pass on to the consumer every cost increase.

In reference to the development and the forecasts as to the strength of the economy, Mr. Khalikias said the following:

1. The extension of credit to the private sector, which during the first 4 months was running away (a rise of 23.5 percent instead of the forecast 14 percent), has now begun to slow down and by the end of the first half of the year had dropped to 17.5 percent.

2. There was also a slowdown in private savings and government bonds. However, in July deposits fared well and by the end of the year they are expected to increase by about 18-20 percent, with the compounding of interest of course. With regard to the government bonds, there is a drop in public demand. However, Mr. Khalikias did not exclude the issue of a planned bond loan of 50 billion drachmae in November that will have drawing rights and interest rates in European monetary units.

3. The slowdown in deposits and government bonds caused the monetary-credit program to be based, this year, increasingly on foreign loans. By adding the loans of ETVA and DEI, towards the end of August we will be approaching \$2,000 million as compared to \$1,700 that had been budgeted for the entire year.

Dr. Dim. Khalikias, however, did not exclude the case of additional loans until the end of the year. He did, however, connect it to the balance of payments developments or to the policy of increasing the foreign exchange reserves.

4. Foreign exchange reserves, which at the end of May amounted to \$1.5 billion, have now reached \$1.8 billion, mainly because of foreign loans.

5. Since the beginning of the year the average level of parity of the drachma to all other currencies has dropped by 5.8 percent. However, since July of last year it has been devalued by 26 percent. More specifically, compared to the European currencies, it has been devalued by 38-40 percent in 1 year and when compared to the dollar, it has been revalued upwards by 12 percent.

Mr. Khalikias said that the devaluation of the drachma since the beginning of the year has been very slow and this is correct in view of the fact that the aim of the economic policy is to stop the spread of inflation.

9731

CSO: 3521/214

DROP IN EXPORTS SEEN IN 1986

Athens I KATHIMERINI in Greek 30 Jul 86 p 8

[Text] Compared to the forecasts at the beginning of the year, which involved the entire year, the volume of Greek exports is going to be substantially lower. This is the result of a preliminary forecast made by the Export Research and Studies Center (KEEM) on the course of our exports. Specifically, in January KEEM forecast an increase in exports of 7.4 percent while at present it calculates that this increase will be limited to no more than 4.2 percent.

This worsening is due mainly (as far as prices are concerned) to the decrease in the competitiveness of Greek products and is the result of the high inflation rate in our country, on the one hand, and on the small upward revaluation of the dollar with respect to the drachma, on the other hand.

It is pointed out, for example, that the relative forecasts between January and July show the following changes:

Agricultural products, instead of increasing by 3.4 percent, will show an increase of 1.6 percent. Raw materials will show an increase of 2.2 percent instead of 2.0 percent; petroleum products are expected to increase 7.1 percent instead of 6.5 percent and industrial products, instead of 10.5 percent, are expected to increase only by 5.2 percent in the end.

Regarding the above developments, KEEM also offered the following clarifications:

Unforeseen factors such as the strike of truck drivers that caused a radical drop in exports in March and the Chernobyl accident, which unsettled Europeans for approximately 3 weeks, could not have been taken into consideration. Nevertheless, they are going to have a negative influence on export activities because the exports that failed to materialize during these 2 months will not all be restored during the next few months. The enacting of certain measures during the second 3-month period, such as the decrease in returns, the withholding of a 10 percent tax on returns and other matters, is equivalent to an increase in the cost of export products by 2-2.5 percent and will influence export activities in the same way during the current year.

Nevertheless, the average price in dollars of Greek exports during 1986 is forecast to increase because it is estimated that the rate of revaluation of the dollar against the drachma will be lower than the rate of increase forecast for

the prices of exported goods. Under this premise, a substantial increase should show up in the dollar value of Greek exports and it is expected to actually surpass 10 percent. If, however, the calculation is made in ECU [European Currency Units], then the value of exports is expected to decrease because of the continuing drop of the drachma against European currencies.

With regard to the country's export market, in relation to initial forecasts, a slow but improved demand from the OECD member countries, a drop in demand by OPEC member countries and by the socialist countries and an increase in demand by the developing countries is expected.

9731

CSO: 3521/214

OVERALL PRODUCTION RISES, DROP IN MAY

Athens I KATHIMERINI in Greek 31 Jul 86 p 10

[Text] Industrial production, which from the beginning of the year had been rising steadily, began to decline as of May. According to Statistical Service data, the industrial production indicator showed a drop of 1.2 percent in May as compared to the same month of the previous year; however, for the entire 5-month period industrial production showed an increase of 3.5 percent as compared to the same period last year.

It is evident that the decline, which, according to IOVE, is continuing in June, is the consequence of the effect of the economic measures enacted to stabilize the economy that led to a drastic curtailment in demand.

More specifically, the Statistical Service announced that: "the production indicator for mines, industry and electric power/city gas during the month of May 1986, as compared to the same month in 1985, is as follows:

1. The general indicator for production of mines, industry and electric power/city gas shows a drop of 1.1 percent.
2. The production indicator for mines shows a drop of 1.2 percent. This indicator was influenced by the corresponding (declining) trend in the indicators for quarry building materials, barium sulphate mixtures, iron-nickel ore and chrome-manganese ore, etc., despite the opposite (rising) trend of the indicators for brown coal, bauxite and granulite.
3. The industrial production indicator shows a drop of 1.5 percent. This indicator was influenced mainly by the corresponding (declining) development of the basic metallurgical products, tobacco, printing/publications, chemical products of rubber and plastic material, liquor, lumber/cork, furniture, hides and paper, despite the opposite (rising) trend of the indicators for electrical machinery, etc., petroleum/coal products, textile items, miscellaneous industries, metallurgical industry products, transportation equipment and mechanical equipment, except electrical.
4. The production indicator for electric power/city gas shows an increase of 2.2 percent.

More specifically, the production indicator for electric power (indefinite quantitative indicator) shows an increase of 2.2 percent.

On the other hand, the trend of averages of the above indicators during the 5-month period, January-May of the year 1986, as compared to the corresponding 5-month period of the year 1985, is set forth below;

1. The general indicator for production of mines, industry and electric power/city gas shows an increase of 3.8 percent.
2. The production indicator for mines shows an increase of 8.1 percent.
3. The production indicator for industry shows an increase of 3.7 percent.
4. The production indicator for electric power/city gas shows an increase of 3.0 percent.

9731

CSO: 3521/214

PRIME MINISTER ON GOALS FOR DIVERSIFYING ECONOMY

Stockholm SVENSKA DAGBLADET in Swedish 30 Jul 86 p 24

[Article by Johan Myrstad: "New Industries A Must For Iceland"]

[Text] "We must create new branches of industry with greater refining value if we are to maintain our standard of living," said Icelandic Prime Minister Steingrímur Hermannsson.

Similar advice comes from various sources. The industrial nations' Organization for Economic Cooperation and Development (OECD) is seeking to diversify Iceland's economy more. And Gunnar Fridriksson, chairman of the Icelandic Employers' Association, is strongly stressing the need for greater productivity and more investments.

"A great deal of work has gone into establishing our standard of living. Our workweek is 25 percent longer than that of other Nordic countries. Demand for a shorter workweek and more leisure time is growing each year. Fishing and agriculture are work-intensive industries with little refining value. We must acquire more high-technology and other industries with greater refining value. And this will be easier now that inflation is relatively low," said Hermannsson.

Various new branches have been suggested:

Growing bananas and tomatoes in hothouses just south of the Arctic Circle for exportation to Sweden, for example.

Serving as consultants in establishing Africa's first geothermal energy plant or consulting fishermen in Guinea-Bissau.

New data enterprises.

Many Icelanders are witnessing a whole new wave of young entrepreneurs involved in developing technology and capital-intensive service industries.

But much is needed to meet the prime minister's goals. Iceland is still very much dependent on fishing. About 70 percent of its export revenues are derived from the fishing industry.

The limited domestic market is largely determined by capricious factors abroad. LO Chairman Asmundur Stefansson gave one drastic example:

"Americans are buying a great deal of fish to improve their health and to prevent cancer."

Small Economy

Employers' Association Chairman Gunnar Fridriksson explained:

"The problem is that everything greatly affects our small economy. A couple of larger-scale building projects are sufficient to affect the entire economic development here."

The demand for fish has grown in Europe as well, not only for salted fish, but more and more fresh fish now. A new technique of storing plastic-packed fresh fish on ice makes it possible to keep it fresh up to 1 week.

Increased export revenues in European currencies are a good counterbalance to the dollars used by Americans to pay for frozen fish. The decline in the dollar this last year has noticeably affected Iceland's export revenues, and future developments in the value of the dollar could upset this year's social contract against inflation.

In the event of poor fishing or declining prices abroad, Iceland usually borrows more money abroad. More money is thus injected into the economy, leading to higher inflation.

Inflation Fueled

When fishing was good, fishermen benefited from much higher income due to the profit-sharing plan, which soon led to other wage earners' request for higher compensation, regardless of their productivity. This always helped fuel the inflation.

The three-party wage agreement concluded in February this year was designed to break this vicious circle. The agreement did not include fishing industry workers, but immediately led to relatively low prices for the rest of the year.

The basis for this has been a good fishing season. Thus sentiments have also quieted down following the dissatisfaction with compulsory fishing quotas introduced in 1984.

Within the fishing industry, efforts are now under way to stock salmon and to export know-how and fishing equipment. Marketing is also being pursued more ambitiously. U.S. market advances for products marketed by the Iceland Seafoods Cooperative subsidiary, for example, have been the object of much attention. The head of this subsidiary, Gudjon Olafsson, will return to Iceland this summer to assume leadership of the entire cooperative--Iceland's largest concern.

Attempts to export know-how may be made through two associated companies, Virkir and Ice Fish Co. Virkir, a consulting group, has sold its energy know-how abroad for 8 years, particularly geothermal energy to Africa's first geothermal energy plant in Kenya, for example. Ice Fish Co. is a more recently established consulting group, which is planning to export a broad spectrum of Icelandic fishing know-how.

"Iceland is a newcomer on the world market. We have found out directly that this is a difficult struggle. We had no tradition to fall back on so we have experienced the pitfalls and learned the business of exportation the hard way," said Virkir/Ice Fish Co. director Andres Svanbjornsson.

"Knowledge is not enough. You have to have community support and financial help as well. This was lacking in the beginning, but the government is now much more interested in helping finance projects than before. And because we are small, the Nordic Project Fund and the Nordic Investment Bank have favored us.

Neutral Country

"One advantage we Icelanders have is that our country is small and neutral. Foreign countries usually value this," said Svanbjornsson.

Energy, another large resource besides fishing, has long been considered for possible development into an important export branch. Enormous geothermal energy sources beneath what were once rugged areas now supply heat to about 80 percent of all Icelandic households, and Iceland's natural water power supply almost all the electricity needed. New power plants are being developed on a broad front.

Energy sources are also the reason for large-scale industries like the aluminum works south of Reykjavik and the silicon-iron smelting works near Valfjorden north of Reykjavik.

But hopes of enticing more energy-intensive industries to establish themselves on Iceland are not very high at this point in time due to the excess capacity in these branches. And the extraction of geothermal energy is fraught with a number of technical problems

besides the risks already present in active volcano areas, where most of the geothermal energy is found.

The best example of the risks involved is the more than 10-year old geothermal power plant in Krafla near lake Myvatn in the northeast. Volcanic activity turned this plant into a very costly failure as far as the State was concerned, which recently sold the plant to a national power company for one third of its cost.

On the other hand, optimists can point to the Svartsengi plant south of the Keflavik military base. This plant heats the entire Keflavik region by means of a remote heating system, which independent judges describe as "very interesting."

Trade With Sweden

Iceland has a trade deficit with respect to Sweden. The following shows Iceland's trade with Sweden from January to April of this year:

The most important imported goods from Sweden include telephone equipment, 20.6 million kronor; machinery, 15.3 million; transportation equipment (cars and buses), 12.6 million; electric engines and transformers, 10.5 million kronor.

The most important exports to Sweden include feed products, 55 million kronor; fish, 32.8 million; meat products, 12.2 million. Imports from Sweden for this period totaled 193.2 million kronor, exports 100.5 million.

Foreign Debt Biggest Problem

Iceland's national income is expected to reach the 1980-level again this year. The latest prognosis for 1986 from the Icelandic National Economic Institute shows that the national income will rise by about 3.5 percent and the gross national product by about 5 percent.

This should compensate for the considerable weakness in the economy since 1982-83. Purchasing power, which in 1985 regained some of its decline in 1983-84, is expected to rise by 4.5 percent this year.

The rate of inflation is expected to drop to below 10 percent by December.

The trade balance is expected to be uncommonly positive. The latest prognosis shows a surplus of more than 250 million (Swedish) kronor. But the balance-of-payment situation remains negative (the deficit is expected to be about 700 million Swedish kronor, or 2.5 percent of the GNP). The main reason for this is the interest on

Iceland's large foreign debt, which will indeed shrink some, but is still expected to represent 50 percent of the GNP. Hardly any other OECD nation can be said to have this large a share of debt, a situation that has led to warnings from OECD.

Iceland's economic picture includes other special features:

The public sector is unusually small, constituting merely 34 percent of the GNP, and transfers representing less than 5 percent of the GNP. (The average for OECD nations exceeds 15 percent.) This can partly be explained by the fact that the labor-market parties are responsible for pension funds.

Direct taxes are considerably lower than in Europe. More than 70 percent of the tax revenues come from indirect taxes, such as VAT, compared to an OECD-nation average of 31 percent.

Only 17 percent of the labor force are employed by the State or municipalities, which is more like the situation on the European continent than in other Nordic countries.

Unemployment is uniquely low, approximately 1 percent of the labor force.

Businessmen in New Seats

A series of deregulations and liberalizations have transformed Iceland's financial and capital markets in just a few years.

Thus, together with this year's big news of lower inflation, entirely new conditions have been created for various businessmen.

Interest rates have become more and more competitive since 1984. There has been a positive development with respect to the prime rate, which is now usually around 10 percent, burdensome for borrowers, but profitable for lenders.

Consequently, there has been a boom in the bond market and savings are growing.

The entire banking system has been deregulated in the course of a couple of years in order to increase competition between the seven banks, which formerly almost constituted a cartel, with the National Bank (Landsbanki) as the completely dominant one, both with respect to deposits and business loans.

Foreign banks will now be allowed to set up agencies.

A stock market was established in November 1985. Prior to this, stocks were handled by private financiers and stockbrokers.

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CSO: 3650/286

EMPLOYERS CALL FOR INCOME TAX CUT TO EASE LABOR MARKET

The Hague ANP NEWS BULLETIN in English 14 Aug 86 p 1

[Text] Employers today called for cuts in income tax from July 1 next year to ease the Dutch labour market which they say is being strangled by the extreme gap between gross wages and take-home pay.

Federation of Netherlands Industries (VNO) chairman Cornelis van Lede demanded a one per cent cut in income tax to be given top priority as increases in gross wages scarcely boosted net earnings. He said this was crippling the domestic labour market.

In a wide-ranging attack on the government's financial policy Van Lede criticised the government for not being aggressive enough in pursuing the aims laid down in the coalition accord.

He said a one per cent tax cut would cost the government some 600 million guilders a year--money that could be raised through curbs on government spending.

Van Lede went on to attack the extra costs to be borne by consumers and the private sector in the years ahead and emphasised the cabinet should curb state and welfare spending instead.

Revenue shortfalls should be offset by additional government spending curbs and not by passing the buck to companies and consumers, while any budgetary leeway should be used to lower taxes, Van Lede said.

'Well-kept Secret'

He said the VNO would discuss agreements to cut unemployment by some 200,000 to below 500,000 with the cabinet and trade unions once the true extent and nature of unemployment figures had been ascertained.

Van Lede described unemployment figures as 'one of the best-kept secrets in the country' adding 'one thing is certain--it is not 700.000'.

Parliamentary discussions on whether it was possible to agree an annual timetable to cut unemployment were fantasies skin to Alice in Wonderland as no-one knew what the real figures were, Van Lede said.

The VNO chairman repeated that employers had pledged to help cut unemployment based on estimates of 700,000 jobless of whom 400,000 were long-term unemployed and a reserve labour force of 300,000.

Employers would try to help two-thirds of the latter to jobs, but should the real unemployment figures differ businesses would have to reassess, Van Lede said.

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CSO: 3600/33

GOVERNMENT POLICY ON CURRENCY CRITICIZED

Istanbul TERCUMAN in Turkish 24 Jun 86 p 5

["Corner" column by Ergun Goze: "The Turkish Currency"]

[Text] Thinking about the state and particularly the future of the Turkish currency is enough to make one lose his sleep. I notice that none of our leaders are looking into this issue--probably in order not to lose their sleep.

Let me first state that I think that unnecessary paperwork and prohibitions are wrong for economic relations and irrelevant for spiritual needs. From that standpoint, I take the position of generally approving the steps taken within the framework of a liberal economic system. But everything must have a limit, is that not so?

Today, what is the limit of the policy pursued with regard to the Turkish currency? For a short duration, highly severe measures can be taken. During World War I, the Germans replaced their money with a new currency called Rentenmark. But this had a purpose and a goal, namely to end inflation. They were successful and they put their economy back on track. In our case, we see that the Turkish currency is bleeding further every day. Oil prices rise, and our currency loses value. Oil prices drop, and our currency again loses value. What kind of adjustment and balance is this when both sides of the scale work against the Turk? I am not saying this; it is the government that is saying this. It is saying this officially--if not in words then by deeds. For example, rates at Tourism Bank--that is government-owned--hotels, are set in deutschemarks and not in Turkish liras. The deutschemark rates posted for a particular day are multiplied by the conversion rate on that day and the Turkish currency equivalent is found. The deutschemark is, of course, the currency which has increased the most in value. We recall an expression which we used to reiterate frequently and which our leftists find necessary to state today: "The Turk is a person who marries in accordance with the Swiss civil code, who is penalized in accordance with the Italian penal code and who is buried in accordance with Islamic law." It is now necessary to add to this "...who entertains with German currency." Apparently, even the government does not have confidence in its own currency and it insures itself using deutschemarks.

If this is what the government does, then what should the people do?

Everything is in the hands of the government. In fact, it decides on everything as in no other time before. It is now almost 3 years [since this government took office], and the government has no confidence in its own currency. While it says that the inflation rate will not exceed 25 percent, it does not have the courage to set a pricing policy on the basis of that. This means that it is not so certain about what it is saying.

Since very old times, government has been traditionally described by "the right of sermon, the right to mint coins, the right to sound drums and the right to fly a flag." The most important of these is the "right of mention," that is to declare a nominal state and to print money thus asserting financial independence.

Today we see that even the sermon is given from overseas. All idle politicians and journalists in Europe are "sermoning" about Turkey, the trials in Turkey and democracy in Turkey. Meanwhile, the IMF is cutting the money--more correctly it is cutting the Turkish currency.

When will the Turkish currency emerge from this tunnel?

It would not be ethical to deny the deeds that have been accomplished. But there is concern in everyone's mind about when and what results these deeds will produce. The condition of low-income people is extremely grave. The raging prices are also producing rage in thoughts.

For example, even tourism which was expected to "explode" this year deceived us. Cancellations are reportedly running as high as 50 percent. That means that if you were expecting \$1 billion, you have to cut it by one half now. This means that foreign currency revenues will decline. Meanwhile, in our opinion the most important factor that is fanning inflation is psychological. The mentality that was disseminated in Turkey after 12 September--that is, the mentality of "everyone deserves better, let those who work earn more, let everyone earn more no matter what they do, let everyone live better"--created an enormous consumption potential in Turkey. Everyone is consuming--and beyond their means. This has gripped us like a social disease. Our faulty concept of democracy--the concept that democracy is a regime of rights and not any duties--is driving everyone into spending money and the country into inflation. If you notice, it is the more expensive kind of everything that is in demand. As a result, the Turkish currency is losing its value. Meanwhile, the foreigner measures a nation by two standards: In peace, by its currency and in war, by its arms.

9588

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IMF OFFICIAL SEES POSITIVE PROSPECTS FOR TURKISH ECONOMY

Istanbul CUMHURIYET in Turkish 24 Jun 86 p 9

["Notes on the Economy" column by Osman Ulagay: "Why Turkey Is an Exemplary Country According to IMF"]

[Text] Executive Director Jacques de Groote, who represents a group of countries including Turkey in the IMF Administrative Council, was in Istanbul last week. We met De Groote—who is not one of those typically reticent IMF officials and who does not keep his views secret from reporters—at the motorboat tour organized by the magazine EKONOMIDE DIYALOG, and we had the opportunity to learn his views on Turkey. We thought that IMF Executive Director Jacques de Groote's views carry a special importance on the assumption that they are representative of the IMF's perspective and that consequently it would be useful to hear them.

According to De Groote, it is very obvious why the IMF sees Turkey as an "exemplary country": In the economic program it has implemented since 1980, Turkey has not sufficed with measures rectifying the bad administration of the economy and aimed at stability, but "has also undertaken structural reforms from the very beginning of the implementation." This way, Turkey has not only improved its balance of payments, but has found a way of restoring its economy on a course of growth. Turkey realized the essence of the Baker Plan proposed in 1985 five years before it was set forth it implemented it. It managed to bring raging inflation under control and to increase exports and national income by opening its economy rapidly to the outside and market forces, by liberalizing its imports, by emphasizing the reorganization of the State Economic Enterprises and by taking major steps in taxation.

These successes by Turkey constitute the best argument against the criticism brought against the IMF to the effect that its "recipe is undermining growth for the sake of stability." For this reason, the IMF cannot turn away from Turkey because of minor mishaps in the implementation of its program.

According to De Groote, there are two problems that Turkey has not been able to solve fully: inflation and unemployment. Inflation no longer stems from mistakes made in the administration of demand, but from the supply side. The inflationary pressure continues because production has not increased to a level that can meet the demand which has increased partly as a result of overseas earnings. For this reason, increasing savings and investments is

very important at this stage. De Groote says that moves have begun in that direction and that these developments will also help the resolution of the unemployment problem. The most important—or, as he puts it the "essential"—missing links in this area are the development of capital markets and attracting foreign capital.

De Groote insists that these difficulties will certainly be overcome if there are no deviations from the principal direction of the program and that, with some patience, in a few years the inflation rate may be reduced to the originally targeted 10-percent level. Another claim that the IMF Executive Director makes—by saying "I will bet what I say will come true"—is that in 4 or 5 years Istanbul will become the commercial and banking center of the region. De Groote says: "That development will have very positive effects on your growth, national income and unemployment problems."

IMF Executive Director De Groote's remarks constitute a general framework within which we can evaluate the contacts of the IMF delegation currently touring our country. We should not be surprised if the IMF begins looking more carefully into increases in the savings rate, investments and production.

9588

CSO: 3554/132

SOLUTION OFFERED FOR FINANCING SYSTEM WOES

Istanbul DUNYA in Turkish 27 May 86 p 3

[Article by Emine Munyar: "Financial Leasing Package Solution"]

[Text] Even though it has been almost 1 year since the Financial Leasing Law went into effect, financial leasing has obviously not gained viability as a new financing model for Turkey. The failure to take any concrete action to date towards establishing a financial leasing company and conducting financial leasing procedures is linked to the failure to make the arrangements needed to get rid of the deficiencies and uncertainties in the existing law and related regulations. Some contend that for financial leasing to gain viability, a new legal order is necessary, with stress on the need for any arrangements made in this direction to be applied as a "package."

The Financial Leasing Law No 3226 went into effect upon completion of certain modifications required in various articles of the law in the 3 months following publication in the RESMI GAZETE on 28 June 1985. However, basic points covering "crucial" elements in implementation of financial leasing have not yet been clarified. Underlying the contention that uncertainty in such matters as withholding and customs regulations make implementation of financial leasing impossible is the assertion that uncertainties and deficiencies in the regulations create an important obstacle even though the legal framework for it was well defined.

Akin Ongor, general director of Economic Leasing, a company awaiting a permit to begin activities in financial leasing, said that some supplementary arrangements had been made after the law went into effect, but the points which have still not been clarified are crucial points to financial leasing. Drawing attention to the numerous uncertainties and deficiencies in the regulations, Ongor stressed the need to take up the thing as a whole and implement a "package solution" rather than introducing modifications one at a time. Ongor described as follows the matters awaiting clarification from the standpoint of implementation of financial leasing domestically and abroad:

"Financial leasing is not a commercial activity, but a financial activity. There are several important elements prohibiting leasing activities to be conducted from abroad, which we describe as 'cross border.' The most important is withholding. The kind of withholding used in the case of commercial activities has been designated 'applicable' because the relevant articles of

the law have not been clarified. This must be corrected and the withholding eliminated. Also, fund deductions on fund-related goods have not been clarified. Something also has to be done about customs as related to the VAT and temporary imports."

Gunes Gunter, deputy director of credit and investments at the Turkish Industrial Development Bank, said that the most important obstacle that would be met in domestic financial leasing was the absence of resources and customs duties to be paid on imported machinery. He said the problems in financial leasing from abroad were exchange rate risks and withholding. "Since the lease in financial leasing covers the cost of the goods and interest both, withholding automatically raises the cost of the goods and multiplies the effect of the exchange rate risk since it will be higher than the current rate," he said.

Omer Duru, research expert at the Turkish Bottle and Glass Community, noting that there were many other uncertainties and deficiencies in the regulations besides the exchange rate risk and withholding, said that to get rid of the question marks in the minds of people in the business, a "package solution" is needed rather than individual solutions. An example among the many uncertainties, he said, is lack of clear directions on how the VAT is to be applied and he also noted that it is unclear whether lease contracts are supposed to be in the category of securities trading on the market.

Circles involved all agree that there are many shortcomings in the financial leasing and related statutes and point out that the lack of resources at the implementation stage of financial leasing, the fund problem and the exchange rate risk will create significant disadvantages from the standpoint of implementors. They summarize as follows the major outlines of question in the statutes awaiting answers:

--Will withholding be phased out?

--Will lease contracts be under the "securities trade" category on the market?

--Will the clarification needed for financial leasing in customs regulations be made?

--How will the VAT be applied?

--What bookkeeping procedures will be used for financial leasing?

--Can a formula be found to eliminate the deterrent effect of the exchange rate risk?

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MONEY SUPPLY EXPLANATION OF INFLATION SEEN AS 'INADEQUATE'

Istanbul DUNYA in Turkish 25 Jun 86 p 1

[Editorial: "The Relationship Between the Emission Volume and Inflation"]

[Text] Attributing the problem of inflation to a single factor would be deceptive or would increase the likelihood of "deception." Nevertheless, the prevailing inclination in recent days is to establish a single and direct link between changes in the emission volume [cash in circulation] and inflation. Whenever confronted with questions on this issue, Prime Minister Turgut Ozal points out that the ratio of the emission volume to the savings volume has declined from 1 to 1 to about 1 to 5-6 and concludes that, "consequently, the inflationary effect of the emission volume has become insignificant."

It is evident that there is a relationship between the emission volume and the inflation rate. It is also obvious that monetary expansion has the effect of pushing up the general price level, but this effect also varies with the period analyzed and the specific conditions of the period. Because, as a whole, there are factors other than the emission volume which also push up the inflation rate, and in situations caused by periodic conditions one or more of these factors may become more dominant and thus determine the inflationary course. As Prime Minister Ozal points out, the volume of savings deposits may have reached 5 times the emission volume, that is the quantity of cash in circulation. Based on that indicator, one may argue that the expansion of the emission volume is checked by savings.

Stated slightly differently, the emission volume declined in the 1980's from around 40 percent of the total savings volume in 1979 to around 16 percent today. But this result does not mean much in the face of the "disaster" caused by inflation which is continuing to do damage. This is because the Turkish economy has developed more dominant factors which make inflation permanent. These are the issues that need to be debated.

When the overseas-oriented stability program was launched in 1980, those who charted the course of the Turkish economy cited demand-driven inflation for a long time. In other words, they argued that the general price level rose "because consumption trends had assumed excessive proportions." As a result, the general wage level was checked using highly "coercive" methods, the domestic demand was suppressed and production was directed toward exports. But since the beginning of the operations related to this policy the focal

point of the issue has shifted to the cost factor. The argument about "demand-pull inflation" has been replaced with the concept of "cost-push inflation" thus bringing about a change in the relative weight of the inflationary factors.

During this time period, the emission volume and the narrow and wide-sense money supply—of which the emission volume is a part—have been inadequate in explaining inflation on their own; "cost-push inflation," which is a correct assessment, and the currency exchange rate policy it embodies have emerged as the main factors that explain the causes of a chronic inflationary structure. In addition, the acceleration in the growth of the foreign trade deficit due to rising imports—whose increased cost is accepted from the outset—is another factor that has constituted the essence of the inflation problem.

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CSO: 3554/127

PROSPECTS OF PETRODOLLAR FLOW INTO TURKEY DISCUSSED

Istanbul DUNYA in Turkish 25 Jun 86 p 3

[Report by Ugur Geylani]

[Text] It was disclosed that the decline in the oil revenues of Middle Eastern countries, which occurred as a result of the drop in oil prices rather than the hot war in the region, has had an adverse effect on the economic and commercial position of these countries and that due to its geographical position Turkey has the necessary means to take a share of the redistribution of the financial resources of these countries among the surrounding countries.

In addition to trade relations, petrodollars that accumulated in Middle Eastern countries--which were selected as commercial centers in the past by the United States and European countries and which have begun to lose their attractiveness as a result of sharp drops in the oil prices and the hot war in the region--have also begun moving to other countries. It was argued that world trade and foreign capital investments have begun moving away from Middle Eastern countries to the countries of the Pacific and the Far East. The shift of world trade to the Pacific and Far Eastern countries is attributed to the relatively low cost of labor in these countries and the rapid development of free manufacturing and marketing zones.

The developed countries, which are seeking long-term productivity as well as future political and economic stability in the countries they will invest in, are continuing their quest for "stable countries" while shifting their financial resources from Middle Eastern countries to the surrounding countries of the area and their trade relations to the Pacific and the Far Eastern countries.

It was also stated that some Middle Eastern countries may invest the funds they have earned from oil revenues in stable countries like Turkey which has overcome its problems. It was claimed that Turkey may be an attractive field of investment--particularly in the area of tourism--for Middle Eastern investors in future years.

Turkey became an attractive field of investment for foreign banks and private finance organizations in recent years when its efforts to open to the outside began. Among these, the Faisal Finance Corporation is working to help Arab

capital to invest in Turkey. Faisal Finance Corporation Director General Fehmi Akin responded to DUNYA's questions on the prospects of moving trade relations and petrodollars in Middle Eastern countries into Turkey.

DUNYA: What do you think about the prospects of a petrodollar flow into Turkey as a result of the hot war in the Middle East?

Akin: I believe that declining oil revenues resulting from the drop in oil prices rather than the hot war in the Middle East will have an adverse effect on economic and commercial life in these countries. Even so, however, it is natural for Turkey--which is the most powerful country in the region with its level of industrialization, its trained manpower, its non-oil natural resources and its agricultural potential--to receive a share of the accumulated financial resources in Middle Eastern countries.

DUNYA: What role can special finance institutions play in insuring the flow of funds among Islamic countries?

Akin: Organizations like ours will act like a bridge in developing economic and commercial cooperation between Turkey and Middle Eastern countries.

DUNYA: Does the inflation rate in our country have a deterrent effect on Middle Eastern investors?

Akin: The high inflation rate in our country is naturally taken into account in the making of decisions for new investments. However, businessmen in the Middle East are well aware that Turkey has a high economic potential and that its foreign creditworthiness is quite good. The strengthening of Turkey with the help of friendly and brotherly countries and the continuation of its stabilizing role in the region is in everyone's interests. It must not be forgotten that businessmen and savers in the Middle East act very prudently in investing their money abroad and seek assurances for their investments. I believe that there will be broad investment opportunities in our country for Middle Eastern business circles as soon as the necessary conditions are created and the required guarantees are given.

DUNYA: Can tourism [in Turkey] be an attractive field of investment for funds held by Middle Eastern countries?

Akin: I believe that there are major investments opportunities in the area of tourism in Turkey for Western as well as Middle Eastern countries. As is known, the decision to invest in a foreign country goes beyond securing short-term financing. Expectations about the future economic and political conditions in the country play as big a role in investments as considerations about the long-term productivity of the investment. From this standpoint Turkey has left its troubled times behind. I believe that Middle Eastern investors will be active in the area of tourism in the coming years.

DUNYA: It is observed that world trade has steadily shifted to the Pacific countries in recent years. What do you think on this issue?

Akin: The highly competitive conditions in Western countries and the protectionist steps taken by these countries are forcing many countries like Turkey to seek new markets for their products.

The Pacific and Far Eastern countries have very large populations. These countries have many needs ranging from foodstuffs to light industry products. As is known, advantage is also taken of the relatively cheap labor in these countries. In some Pacific countries, such as Singapore, Hong Kong and Taiwan, free manufacturing and marketing zones have been developed. According to the theory of mutual advantages in international trade, there are major prospects for exports as well as imports in trade with these countries.

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CSO: 3554/127

SIZE OF MERCHANT FLEET REDUCED

Istanbul MILLIYET in Turkish 27 May 86 pp 3,13

[Article by Pinar Turenc: "Tanker Fleet Suffers Loss"]

[Text] The removal from Turkish ownership of the super tanker Buyuk Selcuklu contributed to a reduction of 805,000 deadweight tons in the Turkish merchant marine fleet in recent months. For the Turkish tanker fleet, this is a one-third reduction. The UM Shipping Company has not recovered following the Ozdaglar scandal and, though it sold the tanker Zafer recently, had to return the Buyuk Selcuklu to the Norwegian firm that held the mortgage. The giant tanker, on which the Norwegian firm Walmet held a first degree mortgage, was delivered to the Norwegians recently by way of Greece. Thus ended the story of the supertanker with the first degree mortgage for \$8.1 million at the port of Istanbul.

Meanwhile, the UM Company also took the Zafer, one of its seven tankers, out of the Turkish fleet. Shipping circles said the Zafer went for scrap. UM reportedly sold the two large tankers against its foreign loans to relieve its cash shortage. However, three other UM tankers, Buyuk Timur, Avar and Gokturk, have first degree mortgages filed at the port of Istanbul.

UM Shipping Company had the largest tanker fleet in Turkey, but since it started getting rid of its tankers owing to recent payment difficulties, the Turkish tanker fleet has dropped from 2,291,063 dwt to 1,485,059 dwt. The bombing of the Atlas, a tanker belong to Shipping Inc., in the Gulf in addition to the loss of UM's Buyuk Selcuklu and Zafer reduced the Turkish tanker fleet by one-third and set the Turkish merchant marine fleet back to 4.9 million dwt.

Tanker Prices Up

The large drop in oil prices led to higher tanker prices and, therefore, shipping prices. The rise in world tanker prices will benefit the UM Company in its tanker sales, but higher shipping costs will have a negative effect on Turkish oil transport.

'INTEGRATED PROJECT' PLANNED FOR SOUTHEAST

Istanbul TERCUMAN in Turkish 24 Jun 86 p 9

[Text] Ankara—A new stride is being taken for the Southeast Anatolia Project [SAP]. The State Planning Organization [SPO] is inviting international tenders for the preparation of an integrated project for Southeastern Anatolia.

SPO officials disclosed that in parallel with the development of resources initiated with SAP an integrated project will be prepared for the coordination and planning of settlements, infrastructure construction, education, health, transportation and agriculture-based industries in Southeastern Anatolia in the near future. The officials stated that the contracting firm to provide the services envisaged by the project will be selected through a bidding process and that domestic and foreign firms may join in the bidding by forming consortiums among themselves.

According to information given by SPO officials, the integrated project will incorporate the planning of soil resources, settlements, infrastructure, agriculture-related production, agriculture-based industry, manpower, education and broadcasting.

Stating that among these services the planning of settlements and infrastructure carry major importance, the officials enumerated the services to be provided as follows:

Planning of Settlements

—The reestablishment, development and integration of villages and village centers.

—Relations between urban and rural areas.

—The development of new settlements.

Planning of Infrastructure

—Drinking water and sewage systems.

—Construction and standardization of village roads.

- Construction of highways.
- Construction of railways.
- Electricity and telecommunication services.
- Airports.

Meanwhile, a report prepared by SPO divides the goals of the work to be carried out within the Southeast Anatolia integrated project as "economic," "social and political" and "environmental." The report mentions as economic goals, the raising of the economic standards of the region and the country, the enhancement of the positive effects of the main project carried out at the irrigation and energy level and the minimization of its negative effects. The report sees the optimization of government control through the planning method to be used while insuring the social development of the region as a "social and political" objective. According to the report, another goal of the said project is "to create a healthy environment and to preserve and to develop natural resources in the course of the physical changes that will emerge during the implementation of the project in the region."

It was also disclosed that SPO will open an office in Urfa in order to be able to monitor this work more closely.

9588
CSO: 3554/132

EXPANSION, CAPABILITIES OF TRABZON PORT DETAILED

Istanbul DUNYA (Supplement) in Turkish 25 Jun 86 p 4

[Text] The Port of Trabzon is one of the six leading transit shipping ports in our country.

The first port in Trabzon was built in the Moloz area by the Pontians. Later, as the present port site began to become popular, a harbor was carved out of rocks by the orders of Emperor Hadrian at the current site of the Customs Department in 177-119 B.C. In 1902, the commander of the Trabzon Garrison, Hasan Pasa, began building a port and a quay at the site of the present wharf. This port was completed by Mazhar Pasa in 1903.

The Port of Trabzon is 644 meters long. The port has an open storage area of 130,395 square meters and a covered storage area of 5,714 square meters.

At its 414-meter miscellaneous goods wharf, it can accept 525 ships a year.

The port's annual load handling capacity is 900,000 metric tons for miscellaneous goods, 1,344,000 metric tons for containers and 336,000 metric tons for hard foundry goods, amounting to a total load handling capacity of 2,580,000 metric tons a year.

For miscellaneous goods six crews can be provided for each of three shifts, for containers two crews are provided for each of three shifts and for hard foundry products one crew is provided for each of three shifts.

The port's storage capacity is 88,900 metric tons per year for covered storage areas and 3,055,150 metric tons a year for open storage areas.

Among the products loaded and unloaded by the Trabzon Port Authority, the amount of grains, minerals and coal has increased over the years. Increases have also been observed in miscellaneous goods and container shipping.

When the new wharf--which is constructed eastward at right angles to the 414-meter wharf within the framework of the expansion of the Port of Trabzon--is completed, it will substantially relieve the congestion in the processing of miscellaneous goods and containers.

The new wharf will be 580 meters long and will have ferryboat landing facilities for roll-on roll-off shipping. The 225-meter section at the

eastern end of the new wharf will serve container ships and the remaining 355-meter section will serve miscellaneous goods ships.

The port will thus have five docking areas for ships carrying miscellaneous goods and one docking area for container ships.

The existing land and sea vehicles at the port are adequate for present needs. Work is currently under way with regard to projections of demand in future years.

Land Vehicles at the Port of Trabzon

- 6 wharf cranes with capacities of 3 to 25 metric tons;
- 7 mobile cranes with capacities of 5 to 25 metric tons;
- 18 power forklifts with capacities of 2 to 25 metric tons;
- 2 electrical forklifts with capacities of 1.5 metric tons each;
- 13 tow trucks with capacities of 2 to 15 metric tons;
- 6 trailer trucks with capacities of 25 metric tons each;
- 5 tractors with capacities of 185 [end of line missing].

Sea Vehicles at the Port of Trabzon

- 2 800 to 900-horsepower tugboats;
- 2 100-horsepower service boats.

9588

CS0: 3554/127

BRIEFS

AGRICULTURAL ACCORD WITH HUNGARY--One of the agreements signed between Turkey and Hungary in Budapest yesterday envisages cooperation between the two countries in the area of agriculture. The accord provides for cooperation in the areas of agriculture, plant growth protection, livestock production and animal health. The two countries will exchange specialists, information, documentation, programs, seeds and animal feed and will organize joint research programs and conferences in these areas. It was disclosed that a second agreement on energy was also signed. The signing of this agreement, which pertains to the expansion of the Catalagzi thermal power plant and which was expected to be signed yesterday afternoon, and an agreement between the Hungarian News Agency, MTI, and the Anatolia Agency was postponed to today. [Excerpt] [Istanbul DUNYA in Turkish 26 Jun 86 pp 1,9] 9588

HIGHER TARIFFS SOUGHT ON MEAT IMPORTS--TUSIAD [Turkish Industrialists and Businessmen's Association] has prepared a report entitled "The State of the Meat and Meat Products Industry in Turkey." The report which examines the problems of the meat sector says that the number of private meat-packing plants is not sufficient to enable Turkey to have a stronger presence in the region's market. The report states: "Even economically feasible private sector investments are experiencing difficulties." The report charges that even though the tariff collected on meat imports from the EEC was increased recently the tax remains very low in view of the export subsidies provided by the EEC. The TUSIAD report says: "Increasing the tariff in stages, as was done by the EEC, is essential for the future of livestock and meat production industry of our country." Stating that exports have declined in parallel with drops in the number of livestock in our country, the report says that even so imports of live animals and fresh meat have continued, that there has been no increase in the per capita consumption of meat and that these are major indicators of the decline in the livestock sector. The TUSIAD report adds: "In order to end the unfair competition to which livestock producers are subjected to through meat imports and to help the development of the livestock and meat industry, the current tariff of \$250 per metric ton must be increased. This tax is very low compared to the \$1,000 per metric ton export subsidy provided by the EEC. This tax must be increased in stages depending on the types of meat to insure the future of the livestock breeding and meat industry in the country and to restore reasonable profitability in domestic production." [Text] [Istanbul DUNYA in Turkish 25 Jun 86 pp 1,9] 9583

CSO: 3554/132

PAPER URGES INCREASED FUNDS, NEW EQUIPMENT FOR CIVIL DEFENSE

Helsinki HELSINGIN SANOMAT in Finnish 4 Aug 86 p 2

[Editorial: "Security Earns Its Appropriations"]

[Text] When you hear the general alarm signal, go to the bomb shelter. If that is not possible, you should at least go inside. Close the windows, turn on the radio and wait for the instructions given by the authorities. This is how it all should happen if things are as they should be.

In reality, fire and rescue authorities are faced with somewhat different experiences: the alarm sirens are blasting but life goes on; nobody does anything in the way of seeking shelter. The alarm is not believed to be real.

In other words, under normal conditions people have become numb to constant false alarms, which the Broadcasting Company eventually cancels as unnecessary. Also radiation detectors have proved their unreliability.

The nuclear power plant accident at Chernobyl caused a lot of destruction and loss. While being negative, it also produced positive side effects. It put several issues in proper proportions in a new way and made security measures much more familiar to the citizens than before.

After the accident, the number of defects found in radiation detectors in Finland has gone up. It is said that the old equipment has been "stressed" due to the increased background radiation and, as a consequence, defects have appeared.

The rescue department of the Ministry of the Interior introduced its equipment overhaul program before the Chernobyl catastrophe. But the red marker of the Ministry of Finance made sure that the equipment could not be purchased according to the proposed program.

Radiation control is not only the responsibility of the rescue department of the Ministry of the Interior. Also the Ministry of Defense, the Meteorological Institute and the Radiation Control Center possess the necessary equipment for radiation control.

The authorities, wiser through the experience, have already taken measures to standardize the equipment in the various institutes. After that, it ought to be relatively easy to make sure that the entire system functions.

The purchase of equipment was hastened by the funds allocated in the supplementary budget. The increase in the number of defects has proved, in a manner which is almost too concrete, the need for overhaul of the detectors and alarm equipment. The detectors have to be overhauled as soon as it is expedient.

In this situation, it is unnecessary to brag about us being pioneers in the development of alarm systems, among other things. That information is of no use, since even our own system did not function beyond reproach when required.

The attitudes toward civil defense immediately changed toward the positive. Right now, the public appreciates the work done for the sake of security more than usual. Every advantage should be taken of this, so that the public would learn to understand its own role in rescue operations.

Citizens expect the authorities responsible for security to be in control. In the institutes responsible for the control, the best possible, effective technical equipment has to be available.

The people responsible for government funds have to take the requirements of a unanimous popular opinion into consideration.

[Picture:]

General alarm signal

Continuous rising and falling siren sound or intermittent whistle sound, duration 1 minute.

1. Go inside
2. Close doors, windows and airconditioning equipment
3. Turn on radio, listen to FM station
4. Act according to instructions given on radio
5. Do not use telephone

City of Vantaa—Board of Civil Defense

12956

CSO: 3617/153

BRIEFS

MISTRAL TEST FIRING REPORTED--In early June, a firing of the Mistral surface-to-air missile, which took place at the Landes Test Center (CEL) in poor visibility and low cloud cover conditions, was carried out from an operational tripod on a CT-20 target device flying at 150 meters (500 feet) in frontal presentation. The missile hit the target, with the 3 kg warhead causing the immediate destruction of the target device. The Mistral is a light missile (18 kg) developed by MATRA for low-altitude air defense for the Army, Air Force, and Navy. It is capable of destroying a combat aircraft up to 6 km away or a helicopter hovering in place 4 km away. The great sensitivity of the Mistral's passive infrared self-guidance system of the "Fire and Forget" type requires no further operator intervention on the missile after firing, which allows him to immediately concentrate on another target. [Text] [Paris LA LETTRE HEBDOMADAIRE DU GIFAS in French 3 Jul 86 p 3] /6662

CSO: 3519/239

WEAPONS PROCUREMENT MIDDLEMEN ALLEGEDLY REAP VAST PROFITS

Athens I KATHIMERINI in Greek 26 Jul 86 p 1

[Text] The arms merchants, that is, the foreign manufacturing firms of weapons systems and especially their middlemen here in Greece, really held sway in the past few years. They not only secured the largest orders of military hardware at tremendous profits, but they simultaneously succeeded in bringing the local arms manufacturing industry (EVO) to a standstill thus thwarting the efforts of a self-reliant arms industry that would have made our country independent of the foreign centers of influence.

All this took place at a time when PASOK was all-powerful and the entire Greek nation was being bombarded with high-sounding reports by Mr. Andr. Papandreou about the self-generated development of the country and by assurances that the era of the middleman had ended.

A few minor details of this dark background came to light yesterday during the press conference granted by the former chairman of the board of EVO, Mr. Vikendios Arsenis, who, as is known, was unceremoniously ousted last week in the usual dictatorial way with which PASOK rids itself of cadres that no longer please it.

Mr. Vikendios Arsenis, who was appointed to his EVO office by the then ND administration in the summer of 1980, charged in his conference that vested interests hiding behind governmental bureaucracy thwarted or hindered EVO from developing up-to-date weapons systems whose value was significant for our Armed Forces. Mr. Arsenis steadfastly refused to identify the specific middlemen as well as those government officials responsible by saying that the most important issue is not who they are, but the fact that there still exist rules and structures that allow them to operate effectively and undisturbed. However, in answer to a question about the delay in the development of the "Artemis" anti-aircraft gun, there was an allusion that many of the government officials, who in 1981 proposed a speedy purchase of similar equipment from abroad, are still in key positions of authority and, therefore, their opinions carry considerable weight.

Mr. Vik. Arsenis, by producing specific data and reading the texts of letters he sent the past year to the then deputy minister for National Defense, Mr. Sekhiotis, and to Minister Drosogiannis, painted an impressive picture of the war waged lately by the administration against EVO. This war goes way back and therefore cannot be connected to the expulsion from PASOK of the former minister of National Economy, Ger. Arsenis, brother of the former chairman of the board. It appears that

Mr. Ger. Arsenis' expulsion and, more specifically, the interview he granted to ETHNOS bitterly criticizing the administration's economic policy, irritated Mr. An. Papandreou, who then gave the green light to the vested interests that had long been lying in wait for an opportunity to oust Mr. Vikendios Arsenis.

In describing the war against EVO, Mr. Vik. Arsenis stated the following, among other facts:

1. In 1985 EVO completed a plant at Lavrion for the production of shells by investing more than 5.5 billion drachmae. EVO went ahead with this work after an agreement with the government, which, however, has not yet purchased a single shell 3-1/2 years later.

2. The Ministry of National Defense, breaching a planning agreement it had signed with EVO, decreased by 1/5 the purchase of hand weapons produced by the Aigion EVO plant.

3. Recurring difficulties have been created with regard to the purchase of the "Artemis-30" anti-aircraft gun. As Mr. Arsenis stated, "commission after commission was abolished, replaced, created without offering any substantial help. The only thing they achieved was to create an unjustifiable delay in the payment of the 4 billion drachmae that was scheduled, and was somewhat more than indispensable, for March 1986 and which has not yet been made."

9731

CSO: 3521/215

BRIEFS

MTC '1011' LAUNCHED--The MTC "1011" multi-use coastal transport unit (easily able to be converted and transformed to a defense system)--the first of 6 units ordered by the Navy from the "Mario Morini" naval shipyards in Ancona--was launched on the 12th of July in the presence of the Defense Minister Spadolini, the C.o.S. of the Navy, adm Piccioni and the commander of the Upper Adriatic Dept, adm Franco Papili. [Summary] [Rome INTERARMA in English 16 Jul 86 p 41] /9274

'URANIA' CORVETTE LAUNCHED--The "Urania" corvette was launched from the Riva Trigoso shipyards on the 21st of June and is the 2nd of 4 twin units on order by the Italian Navy; 87 m long and 10.30 m wide, the unit's tonnage is 1,300 and it may operate at a speed of up to 24 knots. [Summary] [Rome INTERARMA in English 16 Jul 86 p 41] /9274

CSO: 3600/29

DEFENSE FUNDS STILL TOO LOW IN VIEW OF 'MOST SERIOUS CRISIS'

Stockholm SVENSKA DAGBLADET in Swedish 29 Jul 86 p 2

[Commentary by Fredrik Braconier: "Will The Evil Enemy Tremble?"]

[Text] Prime Minister Ingvar Carlsson has declared himself prepared to oblige the other parties with a compromise on increased allocations for the defense. The information is gratifying although not particularly unexpected.

It has to be politically impossible for the government to push through a new defense resolution with only the Communists' help. In Moscow, the prime minister himself spoke of the need to reinforce our neutrality shield, as he put it. Consequently, Ingvar Carlsson in Stockholm cannot, even kindly assisted by the local Communists, gouge out the defense even faster than during the past fifteen years.

The prime minister's attitude differs favorably from the leading defense politicians within his own party. The member of parliament and defense analyst, Sture Ericson, has made fun of those who demanded increased resources for the defense and has spoken in remarkable terms of a moderate-military complex.

The main contribution of Ingvar Carlsson's own defense minister to the defense debate has been repeated assurances that this sector will not receive "a single krona more than what is really necessary." From a purely semantic viewpoint, Roine Carlsson's catch phrase is unassailable. No one should invest more in anything than what is required.

But after a decade and a half of, generally speaking, unchanged allocations for defense, and a downward trend during the last couple of years, a Swedish defense minister should not worry about uncontrolled money spending in the first place. A person with such responsibility ought rather to feel concern about the capability of the Swedish defense to handle its task.

In important areas, the defense has been cut in half during one fifteen-year period. When an aged patrol boat is the Navy's contribution to the defense of the Norrland coast, the proclamations from the Defense Department sound like a painful echo of the defense negativism that characterized the Social Democrats during the 1970's and the beginning of the current decade.

Indications are that there will be some kind of agreement about the boundaries for the next defense resolution. Moreover the alternative, reduction of the defense parameters, has already been sorted out of the investigation mill.

It would be wrong to believe, however, that an agreement of this kind automatically solves our serious defense problems. On the contrary, there is reason to fear the opposite. The additional resources that seem politically appropriate today, will only slow down the speed of the gouging-out somewhat. Keep in mind that the goal of the Supreme Commander's own alternative--which is way beyond this level--is to keep today's defensive forces on a par with the ability of other countries. An actual recovery from the many years of arms reduction is not being considered.

In his overall plan, the supreme Commander has studied seven different alternatives for the five-year period 1987-92. Level one consists of unchanged real allocations, while in the three following they are increased by 200, 400 and 600 million per year respectively. Then there are three steps for annual percentage increases, and the same for inflation. The Center wants 1.2 percent, the Moderates suggest 2 percent and want a corresponding upward adjustment for the following period. The Supreme Commander ultimately requests that the resources grow by three percent per year--again, so to speak, on the principle of compound interest.

In actual kronor and average per year, there is a difference between prolongation and the Supreme Commander's wishes of more than 2 billion. It is worth investigating what such varying amounts mean for the defense. The same cannot be said for a number of levels where the difference is two hundred million. As a comparison, it might be mentioned that when Israel recently introduced the prototype of its new fighterplane Lavi, it was estimated that its price, including service and spare parts, amounted to more than two hundred million. And the Lavi is a comparatively inexpensive aircraft.

So many alternatives with so little differences can only serve as political cosmetics. If level four is agreed upon--that is 600 million extra per year--it might seem fine. But as mentioned, it corresponds to a bare handful of modern fighterplanes.

Nevertheless, the government has a willing partner for an upward adjustment of this size, at least so far. As early as November last year, the People's Party leader, Bengt Westerberg, indicated that an annual increase of about half a billion was what he could conceive of. There has been no other information since then, in spite of the fact that the People's Party is at the bottom of the non-Socialist totempole. The other day the party's vice chairman, Ingemar Eliasson also attacked alleged Moderate overbids on the defense issue.

An agreement on such a level, however, would constitute poor support for Bengt Westerberg's otherwise so austere position on security-political issues. It might also conjure up a hardly wished-for reminder about the party's less glamorous defense-political actions some years ago. At the time the party actively contributed to creating the worst defense-economical crisis during the post-war era.

Perhaps the end result will be somewhere in the neighborhood of the Center offer plus an annual percentage increase. Whether the Moderates are able to support such an agreement must remain unsaid. The Supreme Commander states that the Center alternative "leads to continued shortfall." The Air Force will be hard hit, since the light fighterplane will be deleted as time goes on.

In a purely political perspective, the defense issue has progressed favorably during the last couple of years. The solution that now can be discerned is close to or even above what the government wanted to consider in 1984. Social Democracy has travelled a long way from the disarmament decision at the 1981 party congress to Ingvar Carlsson's invitation to negotiate.

From an objective point of view, there is little cause for celebration. Despite the most serious security-political crisis in the post-war era, it is only a question of marginal additional contributions. Compared to the potential enemies--one is tempted to use the singular--the weakening continues. The awakening does not extend further in the wake of the submarine crisis.

Today we allocate 2.7 percent of our collected resources to the military defense. This is the current price tag on our peace and freedom. The number will, in all probability, continue to fall during the next couple of years, exactly as has been the case since the 1950's. One has to be very optimistic to imagine that the evil enemy shakes in his boots at the prospect of such a security-political signal.

12339

CSO:3650/287

COAST GUARD OFFICER: SOUTHERN COASTS, HARBORS VULNERABLE

Stockholm SVENSKA DAGBLADET in Swedish 28 Jul 86 p 7

[Article by Per-Erik Landqvist: "Poor Watch Over Southern Harbors and Coasts"]

[Text] Ystad--The watch over the southern Swedish coast is insufficient. Every summer, several foreign pleasure crafts arrive without the knowledge of the Coast Guard primarily at Simrishamn, Ystad and Trelleborg.

"We simply lack the personnel to manage the watch," says Hans Hjelm, head of the Coast Guard in Skane.

The Coast Guard has ships stationed in Torekov, Helsingborg, Landskrona, the Falsterbo Canal, Ystad and Simrishamn.

Incidents

But these are not nearly sufficient. Especially now that there are so many pleasure crafts in the waters. And all of them do not carry flags in accordance with regulations. So incidents of the kind that recently occurred east of Ystad at Sandhammaren, when the Coast Guard on two occasions hailed and boarded sailboats from Poland and then, with the aid of the police, turned them away, are not particularly uncommon. The obvious difference, compared to other incursions, is that measures were taken.

Daily Violations

According to Hans Hjelm, there are daily violations of the outer Swedish territorial limits.

Earlier the Coast Guard had access to an airplane with which the southern Swedish coast was patrolled daily. But the plane crashed two years ago outside Trelleborg. Every now and then they are able to borrow other airplanes. A new one, exclusively for patrol, will become operative at the beginning of next year.

The frontier guard is also poor at the ferry harbors in Skane.

There is a lack of personnel due to vacations. All the vacancies have not been filled.

Fifteen million passengers annually use the ferry between Elsinore and Helsingborg. Eighteen ferries carry about 50,000 people daily.

There are 42 passport controllers for all these people--six fewer than the same time last year. That means that the passport controllers in Helsingborg, now and in the future, must be content with making only random checks. There is no question of any actual control.

12339

CSO:3650/287

ECONOMIC, SECURITY ASPECTS OF NATURAL GAS DEAL WITH USSR

The Hague INTERNATIONAL SPECTATOR in Dutch May 86 pp 318-324

[Article by Hendrik Roodbeen: "The Natural Gas Trade Between Austria and the Soviet Union: The Dilemma of Economics and Security"; first paragraph is source introduction]

[Text] Hendrik Roodbeen is a doctoral student in political science (Department of International Relations) at the Catholic University of Nijmegen (KUN). This article is based on the results of a period of research at the Vienna Institute For Comparative International Economics (WIIW), January-April 1985. A report of this research appeared in the course of 1986 in the "Forschungsberichte" [Research Report] series of the WIIW. The author thanks Dr R. Dietz (WIIW) and Professor K. P. Tudyka (KUN) for their assistance.

Since 1968, an increasingly greater portion of Austria's natural gas consumption has been imported from the Soviet Union. In 1984, approximately 95 percent of imports--circa 70 percent of domestic consumption--came from that country. At the beginning of the eighties, Austria, like other West European countries, concluded a contract with the Soviet Union for new natural gas deliveries. While there was considerable discussion in the NATO countries concerning the desirability of natural gas imports from the Soviet Union, this was seen as a natural thing in Austria.

1955: Independence and Obligation

The year 1955 plays a central role in the postwar history of Austria. With the signing of the State Treaty (15 May 1955), the country became de jure independent. The declaration of neutrality followed on 26 October 1955. This new situation had important consequences for Austria's energy supply. As a further result of the State Treaty, a national energy company, which would later be named the Austrian Petroleum Company (OeMV AG), was founded on 13 August 1955. It included the energy concerns taken over from the Soviet Union in 1955. The OeMV would later be responsible for natural gas imports from the Soviet Union. Part of the personnel had worked under Soviet Management and had maintained contacts during the 1945-1955 period with concerns in East Europe, whence a portion of the oil production was exported. These ties with the Soviet Union remained in place after 1955, since the OeMV became an exporter under the so-called Natural Gas Agreement. In this agreement,

Austria assumed the responsibility of delivering one million tons of oil per year to the Soviet Union for ten years, in exchange for taking over the Soviet Petroleum Administrative in Austria (SMV). During this period, the oil deliveries from the Soviet Union to Austria also began. (Footnote 1) (In the middle of the sixties, the OeMV made plans to extend the oil pipelines that the Soviet Union had built to Czechoslovakia into Austria. These plans came to naught as a result of strong opposition from the multinational oil companies (Information from Professor W. Frank, retired state secretary, 14 March 1985.)) It was also in 1955 that the systematic exploitation of natural gas in Austria began. Between 1945 and 1955, the SMV had shown little interest in this. (Footnote 2) (H. Ramsbousek, "Die OeMV-Aktiengesellschaft", Vienna, 1976, p 39) In the sixties, it became clear that the rising domestic natural gas production was not sufficient to meet the rapidly rising demand for natural gas. It became necessary to import natural gas.

The Natural Gas Contract of 1968

In the sixties, negotiations for the import of natural gas were conducted with various countries. The Austria Long-Distance Gas Company (AFG) took part in a West European consortium that wanted to import natural gas from Algeria. (Footnote 3) (The "national long-distance gas companies" cooperated with the AFG. They arranged the natural gas supply in the federal states. Like the OeMV, the AFG tried to become an importer of natural gas. The Algerian option, however, met with no success, among other reasons because it was a capital-poor enterprise that did not have a large transportation network at its disposal.) Because of the capricious policies of the Algerian government (i.e. Sonatrach), this came to nothing neither in the sixties nor later. They also negotiated with the Netherlands (NAM [Netherlands Natural Gas Co.] export) for the delivery of natural gas. This yielded no results, since the price asked for the natural gas (f.i.b. [free on board]) and the accompanying transport costs came to 60 groschen per $N-m^3$. (Footnote 4) (DIE PRESSE, 3 November 1967. The Soviet Union was delivering natural gas for 39 groschen per $N-m^3$ in 1968). And that was too expensive. In addition, the necessary transport infrastructure was not present.

The Soviet Union's offer regarding Austrian participation in the planned pipeline from the Soviet Union to Italy had more success. (Footnote 5) (SALZBURGER NACHRICHTEN, 19 January 1967.) It offered not only the possibility of importing natural gas, but also potential participation in the construction of the natural gas pipeline. Since the negotiations with Italy were proving extremely arduous, the Soviet Union and the OeMV decided to make the negotiations on the delivery of natural gas to Austria a separate matter.

Now, the natural gas was to be delivered via the (700 mm) pipeline from the Soviet Union to Czechoslovakia (Bratislava), which had a large overcapacity. Austria was connected to the Czechoslovakian natural gas network by a 5 km long pipeline between Baumgarten and Vysoka. To get the natural gas from the Soviet Union, the OeMV then needed only to install the necessary compressors.

The negotiations on the price of the natural gas proved extremely difficult. They were made even worse by competition between the OeMV and the AFG. Even though the Soviet Union had stated that it was going to negotiate on natural gas deliveries only with the OeMV, the AFG made the Soviet Union an offer to buy natural gas for 41 groschen per m³. (Footnote 6) (DIE PRESSE, 11 November 1967). The OeMV believed this price was too high. The Soviet Union was glad to make use of this fact in the negotiations. Nonetheless, the OeMV succeeded in agreeing on a fixed price of 39 groschen per m³. For this price, the Soviet Union delivered the natural gas as far as the Austrian border.

Table 1

Contracts for the Import of Natural Gas
Concluded Between Austria and the Soviet Union

year	starting year	duration (in years)	ending year	billions of m ³ /yr	total amount to be delivered	accumulation of amount to be delivered per year
1968	1968	23(+10)	1990(2000)	1.5	47	1.5
1974	1975	3	1977	0.250	0.750	1.750
	1978	22	2000	0.5	11	
1975	1978	2	1979	0.250	0.5	2.250
	1980	20	2000	0.5	10	2.5
1982	1984	25	2008	1.5	37	4.0

There was talk of a fixed natural gas price (in dollars) during the period when the Soviet Union would be paying off the credits for delivery of the natural gas pipes (until 1975). After an initial period of three years, the Soviet Union would deliver 1.5 billion m³s of natural gas per year (see Table 1). The natural gas contract was a component of a contract consisting of three parts.

This contract was signed on 1 June 1968 by the OeMV and the VOEST steel firm and, for the Soviet Union, by the Foreign Trade Ministry. The two other subcontractors handled the delivery of natural gas pipes to the Soviet Union and its financing.

Both the offer concerning compensatory trade and the linking of the three contracts took place at the Soviet Union's wish. This offer was very favorable for the VOEST steel firm. Along with its traditionally strong economic ties to East Europe, VOEST was looking for new outlet markets for its products, since deliveries to the West European ship-building industry had declined sharply. East Europe could serve as an alternative market. An expansion in trade with the Soviet Union was made difficult by the limits set by the 'clearing system'. (Footnote 7) (The "clearing system" operated until 1970.) In this perspective, the import of natural gas functioned as an instrument for promoting exports.

The negotiations with VOEST were in part separate from those between the OeMV and the Soviet Union. It was agreed that VOEST would deliver 520,000 tons of pipe. (Footnote 8) (DIE PRESSE, 9 May 1968. The pipes were used for the Soviet Union's domestic natural gas network.) The company worked with Mannesmann and Ausust Thijssen on filling this order. The pipes, produced by the West German firms, were still on NATO's embargo list at the time (1968). (Footnote 9) (SUEDEDEUTSCHE ZEITUNG, 18 July 1978; PROFIL, 13 April 1982.)

The deliveries were financed by the Kontrollbank Co.'s export promotion system. That institution loaned a credit of three billion Austrian schillings to the 'Foreign Trade Bank of the Soviet Union'. VOEST received the money. The OeMV paid off the loan by paying the first 10.5 billion m³ of natural gas to the Kontrollbank. The interest rate was set in the negotiations between VOEST and the Soviet Union. It is also interesting that the Kontrollbank borrowed the sum needed to finance this credit in the international market. (Footnote 10) (Information from Dr J. Stankovsy, Austrian Institute for Economic Research (WIFO), Vienna, 28 February 1985.) This was still an infrequent practice in 1968.

The official start of natural gas imports was on 1 September 1968. (Footnote 11) (The Soviet Minister for the Gas Industry was originally not supposed to be present for this occasion, probably in connection with the events in Czechoslovakia (August 1968). A possible explanation for his appearance is that the Soviet Union wanted to provide a demonstration of its economic trustworthiness, given the negative press that country received in Austria after its invasion of Czechoslovakia. In his speech, Kortunov emphasized that the Soviet Union would conscientiously follow its contractual obligations. (NEUE ZUERCHER ZEITUNG, 27 September 1968)) Storage sites were built in Austria for natural gas reserves that were to absorb the peak consumption (especially in the winter). This was because the Soviet Union would be delivering the same amounts throughout the year (so-called "band deliveries").

The three-part contract of 1968 served as a model for the contracts arranged between the Soviet Union and the West European gas importers. The Soviet Union had succeeded with one of "the most future-oriented energy suppliers" in getting a firm foothold in the West European energy market.

In the 1968-1984 period, Austria concluded three more contracts with the Soviet Union for supplementary natural gas imports. On the first₃ occasion, a Russian offer in 1969 for the delivery of an extra three billion m³s per year was declined, since there was talk of a surplus in the domestic market. Then, the Soviet Union sold that natural gas to the Federal Republic, among others. The export to West European countries meant that an Austrian request for an expansion in natural gas deliveries in 1971 could not be honored. For new imports, they had to wait until the Soviet Union had developed the new natural gas fields to the west of the Urals and in West Siberia and had expanded its transport capacity. The price of natural gas also played a role.

The fixed price included in the 1968 contract seemed unfavorable to the Soviet Union, both because of the decline in the value of the dollar and because of the rise in energy prices. In 1974, the Soviet Union proposed negotiations on extra deliveries where, following the first contract, one would fix a new price for the deliveries each time. A second motive for starting negotiations was the urgent need for transport pipes for the domestic natural gas network in the Soviet Union. (For specific facts on the second, third and fourth contracts, see Table 1).

They agreed to link the price to a pricing formula tied to the Austrian schilling. This offered the Soviet Union more security than linking to the dollar, since the Austrian schilling is linked to the German mark, whose exchange rate was rising sharply against the dollar. The new pricing formula also made it possible to incorporate the evolution of energy prices into the price of natural gas. In contrast with the first contract, the contract for compensatory deliveries and the credit contract were concluded separately. This was also true of the third contract of 22 August 1975.

In 1980, negotiations were started on a fourth import contract, which was concluded in 1982. According to the OeMV, the Soviet Union was the sole potential supplier after the fall of Iran. Imports from northwestern Europe were impossible for two reasons. In the first place, there was no transport capacity to Austria through the Federal Republic. In addition, the natural gas was 30 percent more expensive than that from the Soviet Union. (Footnote 12) (DIE PRESSE, 29 May 1979.) The new negotiations took place in the context of Russian deliveries to various West European countries.

The results of negotiations between Sojuzgasexport and Ruhrgas AG. (FRG) thus also defined the negotiations between the former and the OeMV. The result was that the price and the pricing formula remained for the most part fixed. According to DIE PRESSE (24 June 1982), there are indications that Austria obtained a somewhat lower price than Ruhrgas AG. This is quite possible, considering the Soviet practice of taking into account the situation of the importing country's domestic market. (Footnote 13) (On this subject, the director of Sojuzgasexport, Baranovski, noted: "The prices agreed upon do correspond to the potentials of the individual countries' markets." (DIE PRESSE, 31 March/1 April 1984))

The credit financing (including interest percentage) was also determined in this manner. In October 1981, the FTG and France made credit available at an interest rate of 7.8 percent. The Creditanstalt Bank Association (CA) and VOEST-Alpine were in fact bound to this.

The embargo imposed by the United States had no consequences for Austria. Foreign Affairs Minister Pahr called the embargo "purposeless and counter-productive." He stated that Austria "would accept no outside influence on its own trade policies. We will go our own way." (Footnote 14) (DIE PRESSE, 3 September 1982)

The four natural gas contracts mean that Austria will import four billion m³ of natural gas from the Soviet Union in 1989: That is approximately 80 percent of the estimated domestic consumption.

Economic-Political Aspects

A number of interesting developments can be observed in the period from 1968 to 1984. They are of importance not only for the situation in Austria, but also for the other West European buyers of natural gas. This is above all true of the political-economic aspects. The problem of dependency falls under the rubric of 'security policy aspects'.

In answer to the question of why Austria can import natural gas from the Soviet Union but not from other countries, two elements play a central role. They are the availability of a transport infrastructure and transport costs. The transport of natural gas takes place primarily via pipelines. That demands high investments. Given its geographical location, relatively distant from the most important production areas, and the relatively small quantities imported, it is impossible for Austria to import natural gas from abroad with its own pipelines. Thus, cooperation with other countries is indicated for the construction of pipeline or use of an existing pipeline. The geographical location also accounts for high transport costs. Concretely, this means that when the price of natural gas and the transport costs are added together, natural gas can no longer be sold in the domestic market. So, the exporter has to deliver the natural gas at the Austrian border (exports c.i.f. [cost, insurance, freight]) or give a reduction on the natural gas price that compensates for (a part of) the transport costs. Since the sixties the export policies of West European suppliers have not fulfilled these criteria, but those of the Soviet Union have.

The Soviet Union's export policy has led not only to a strong, more or less monopolistic position in the Austrian natural gas market, but also to an important role for that country as an exporter to West Europe. The Soviet Union's pricing policy is market oriented: In determining the export price, the Soviet Union is prepared to take the situation in the domestic energy market of the importing countries into account (see note 13). As a consequence, the Soviet Union offers compensation for the transport costs. (Foot-note 15) (J. Estrada, "The Importance of Natural Gas Industry in the Soviet Economy", in: P. Joseph (ed.), "The Soviet Economy after Brezhnev", Brussels, 1984, p. 134 (esp. the table)) A distinction must be made here between countries bordering the Comecon area and other countries. Since the Soviet Union takes responsibility for the infrastructure costs within the border (exports c.i.f.). For countries not bordering the CMEA area (France, for example), it is a matter of f.o.b. exports, with a differentiation according to the transport costs.

The Soviet Union's export policy makes natural gas imports from that country very attractive, certainly for Austria where no limit due to concerns about

security policy applies. This political-economic aspect is used in Austria to underscore the impossibility of diversifying natural gas imports.

A second development is the change in the structure of the natural gas contracts that have been arranged. The natural gas contracts concluded by the Soviet Union can be divided into two periods. As far as Austria is concerned, the first contract falls in the first period, and the second, third and fourth in the second. In the first period, it was a matter of a volume of natural gas that was to be delivered at a fixed price, that was linked with deliveries of goods (of equal value) by means of a credit contract. Each was balanced against the other. (Footnote 16) (R. Safoschnik, "Die Erdgasexporte der Sowjetunion und ihre Bedeutung fuer Europa" [The Soviet Union's Natural Gas Exports and Their Meaning For Europe], Vienna, 1984 (lecture))

As a result of the dollar's decline in value, this fixed price had negative consequences for the Soviet Union. Because of this, the price of natural gas fell from 39 groschen per m³ to 30. This relative decline was further accelerated by the rapid increase in energy prices at the beginning of the seventies.

In the second contract period, it was a matter of contracts that were separated from each other. The natural gas price was determined using a pricing formula, and the repayment of the credits was separate from the revenues from natural gas exports. It is thus incorrect to continue to speak of a "natural gas-and-pipe business".

In contrast to the first, second and third series of contracts, there was no longer any linkage between the credit contract and a fixed delivery of goods in compensation in the fourth series. This change is the consequence of the Soviet Union's having negotiated with several countries at the same time on the export of natural gas (via a common pipeline). Expectations of possible compensatory orders, shrilly voiced by the West European countries taking part in the negotiations, thus also came to nought. The Netherlands were also counting on substantial compensatory orders, when they were negotiating natural gas imports with the Soviet Union. For Austria and other countries, this meant that the import of natural gas lost much of its value as an instrument for promoting exports.

Security Policy Aspects

As a consequence of more intensive international economic relations, more and more sectors of national states have become vulnerable to exogenous influences. If a state does not want to diminish these relations, or cannot do so, it is compelled to take measures that will guarantee the functioning of the economy if these relations are disturbed. With natural gas, it is a matter of a qualitatively new dependency. Due to the pipeline-bound character of natural gas transport and the accompanying high investment costs, the exporter and the importer are tied to one another for a long time. This puts high demands on the trustworthiness of both partners and makes alternative imports in case

of an interruption in deliveries difficult. (Footnote 17) (Discussion of how great the danger is that the Soviet Union would make use of an energy (i.e. natural gas) boycott falls outside the scope of this article. The position is assumed that the risk of this happening is very small, but still possible.)

If it is a case of near total independence, like with Austria, this is as good as impossible. To limit the effects of an interruption in imports, one can attempt to spread them out between different suppliers. In this way, the damage is limited if one of the exporters, for whatever reason, stops his deliveries. This also offers the possibility of increasing the deliveries from other exporters. Such contracts are important, especially with natural gas, since a transport infrastructure must be present.

In the discussion of energy-dependency (for example, with reference to OPEC oil deliveries in the seventies and natural gas imports from the Soviet Union in the early eighties), the desirability of diversification is argued from various angles of approach. In general, one speaks of a dilemma between "economy" and "security". Natural gas imports from the country with the lowest price (the greatest elasticity in export prices) are attractive mainly in the short run, but in the long run too high a degree of dependency limits negotiating position (concerning, for example, the price). In addition, diversification is necessary to avoid being confronted with a "dictate" in the event of a boycott for political or economic reasons. In this case, the country that is dependent on one country for its imports scarcely has a leg to stand on. (Footnote 18) (For a more detailed analysis of this problem, see: H. Roodbeen, "Wirtschaftlichkeit Kontra Sicherheit" [Economy versus Security], Vienna (to appear in 1986 in the "Forschungsberichte" series of the Vienna Institute for Comparative International Economics))

These arguments for diversification can be even further strengthened by "purely" political criteria, such as the NATO "norm" where the dependency on natural gas imports from the Soviet Union cannot be greater than 30 percent of domestic consumption. (Footnote 19) (It is not clear how firm this "norm" is. Dr Strubegger (IIASA [International Institute for Applied Systems Analysis] Laxenburg) told the author (on 11 November 1985) that people from Ruhrgas AG. told him in a conversation that Ruhrgas AG was making plans to expand natural gas imports from the Soviet Union in the nineties, such that they might run to 50 percent of the Federal Republic's domestic consumption.)

The (international) criteria of the International Energy Agency (IEA) have played a role in the field of diversification of oil imports. The IEA has not yet concerned itself in this way with natural gas. (Footnote 20) (NRC HANDELSBLAD, 4 May 1985. The OeMV has opposed Austrian participation in the IEA, because they believe it is not to the benefit of Austria's neutrality. (Ramsbousek, op.cit., p. 178.) Their participation has led to spreading out oil imports. DIE PRESSE (21 February 1980) writes that "Thanks to political intervention by the head-of-state," the OeMV has for the first time imported oil from Saudi Arabia, at the expense of imports from the Soviet Union, Libya and Algeria.)

In the case of Austria, there was an import dependency in 1984 of 64.6 percent of its total energy consumption. Of the energy imports, 46.2 percent came from the Comecon (27.4 percent from the Soviet Union). The natural gas dependency was 70.7 percent. The question of whether this dependency is acceptable is answered positively in Austria. The pleas for diversification that surface in the press after every new contract and sometimes after a limitation of deliveries in the winter are simply incidental and have no consequences for policy. Thus, the Industrialists Association stated in the WIENER ZEITUNG (26 October 1984): "The volume of energy imports from the Eastern countries is increasing the extent of those things that seriously endanger Austria's neutrality and self-sufficiency." In this connection, DIE PRESSE wrote (17 November 1979): "All in all, the observer receives the impression that the domestic economic policy wants to travel the most comfortable route, and views "Red energy" as the sole alternative."

A significant portion of public opinion in Austria is not conscious of this dependency, and those that do have some sense of it have no objections. Even parliament has never questioned these imports.

On what arguments is this standpoint founded? People believe that diversification is impossible under the current conditions. The Austrian government subscribes to this standpoint of the OeMV. Its "Energy Report and Energy Plan 1984" states that great value is attached to "as strong a diversification as possible" in natural gas imports and that this will be supported to the greatest extent possible. On the other hand, one must take into account both the large price differences "of the individual sources of supply, in the interest of maintaining the competitiveness of the Austrian economy" and the fact that "the main supplier is a trustworthy partner." (Footnote 21) (Austrian Federal Government, "Energiebericht und Energiehaushalt 1984" [Energy Report and Energy Plan 1984], Vienna, 1984, p 107.)

A second argument is that sufficient measures have been taken to absorb an interruption in deliveries. There are extensive reserve supplies (approximately 50 percent of the amount of natural gas imported annually, although these reserves drop to 20 percent during the winter), disengagement clauses in contracts with a limited number of large buyers, and the use of domestic natural gas sources as a strategic reserve. (Footnote 22) (According to the OeMV, domestic production comes to roughly 1 billion m³ per year. The proven reserves are 9.02 billion m³ (as of 31 December 1983). Given production remaining the same, the reserves will suffice until 2000.)

In addition, they "hope" to be able to import gas via the European Natural Gas Union. It is conceded that no emergency supply contracts have been signed for this, and that delivery via this infrastructure is uncertain. This is a thing or two to be said against these arguments.

In the first place, the current imports are in the OeMV's interest. When they were competing with the AFG on the issue of who should look after natural gas imports, they played the Russian card every time. In other words, not only

external conditions but also internal ones have played a role. On the other hand, it cannot be denied that natural gas from other exporters is more expensive. But that does not mean that if one buys a portion of the natural gas imports at a higher price and this price is balanced against more inexpensive domestic and Russian natural gas, it should not be bought any longer. (In 1980 and 1981, the OeMV also imported 400 million m³ per year from the Norwegian Ekofisk field.) (Footnote 23) (This natural gas was transported, with the help of Ruhrgas AG, to France, while the OeMV took a like amount of natural gas from the Soviet Union, destined for France, out of the transit line (so-called "switch deals"). (NEUE ZUERCHER ZEITUNG, 30 May 1979))

As far as the national measures are concerned, it can be stated that they are insufficient for guaranteeing the natural gas supply in the event of a boycott for economic or political reasons (see note 18). The European Natural Gas Union is also a doubtful factor which, incidentally, they themselves admit. (Footnote 24) (This European Natural Gas Union can best be described as a technical coupling of national natural gas networks and a number of international transport lines. There is no institutional structure behind it.)

One can conclude that diversification of the Austrian natural gas imports remains necessary to maintain the natural gas supply during a boycott. This need is underscored by Austria's status under international law, its "perpetual neutrality". An obligation of economic neutrality does not follow from this. Foreign trade policy does, however, have to take the obligation of neutrality in the event of conflicts between other states into account. Concretely, this means that one cannot enter into any peacetime economic relations that would make it impossible to honor this obligation.

This is again emphasized in the defense doctrine, in the so-called "Comprehensive National Defense--CND (1975)", which obligates the minister for Business, Trade and Industry to 'continual attention in foreign trade to the security of supply and to provisions for reserves in the event of crisis.' (Footnote 25) (W. Hummer/W. Girkinger, "Neutralitaetsregeln' und Bereichsspezifika der oesterreichische Neutralitaetspolitik" ['Rules of Neutrality' and Specific Areas of Austrian Neutrality Policy], in: OESTERREICHISCHE ZEITSCHRIFT FUER POLITIKWISSENSCHAFT 1979 (3), p 306.) This meaning spreading out the imports to keep the risk of dependency within limits. Austria's dependency on the Soviet Union for its natural gas imports is difficult to reconcile with the obligations stemming from this "CND". The absence of diversification must thus also be viewed as a lack of mechanisms for crisis management in the event of an interruption in natural gas deliveries for political or economic reasons.

Although the government subscribes to the desirability of diversification, it is not prepared to create the necessary conditions for this, in contrast to the course of affairs with oil imports. The sole real possibility for expanding natural gas imports is still supplementary deliveries of one billion m³ per year of natural gas from the Soviet Union. The origin of this situation is what DIE PRESSE called the fact that Austria "wants to travel the most comfortable route" in its economic policies. One consequence may be that the newspaper MAGYAR HIRLAP, published in Budapest, was right when it wrote: "If Moscow turns the faucet to its natural gas pipeline off, the Austrians will have to drink their beloved morning coffee cold." (Footnote 26) (Cited in DIE WELT, 16 February 1978.)

ASEA CHIEF IN WAKE OF CHERNOBYL: BUILD COAL-FIRED PLANTS NOW**Government Underestimating Energy Needs**

Stockholm SVENSKA DAGBLADET in Swedish 28 Jul 86 p 7

[Article by Sven Thiessen; first paragraph is SVENSKA DAGBLADET introduction]

[Text] Sweden should immediately start building coal-fired condensing power plants for the production of electricity. Otherwise the country could be threatened with a shortage of electricity in the early 1990's. That is what Curt Nicolin, chairman of the board of the Swedish General Electric Company [ASEA] said in an interview.

"Electricity production requires 5 years of planning. Unless we do something quickly we will almost certainly have an electricity crisis in the 1990's.

"We are in trouble because we lack reserves. If we shut down a nuclear power plant today we will have an immediate shortage of electric power. The margin is no greater than that."

There are no coal-fired condensing power plants in Sweden today. But there are two oil-fired plants in Karlshamn and Stenungsund.

Wrong Conclusions

Nicolin said that government forecasts have underestimated future electricity consumption and that Energy Minister Birgitta Dahl is making an error of judgment that leads to the wrong conclusions.

"I have explained this to her, but she still claims that we are reducing our energy consumption, which is not true."

Nicolin's own forecast exceeds the government's. Even so he thinks it may be on the low side.

According to the government, total energy needs have declined since 1973. Nicolin says that the energy minister has left out of her calculations the loss of 120 terawatt hours (TWh) at the nation's nuclear power plants. Center

Party chairman Karin Soder made the same error in an article in the "Focus" section of SVENSKA DAGBLADET on 24 July.

The loss occurred in connection with the conversion to electricity.

Standard of Living Threatened

"I think overlooking those 120 terawatt hours was a deliberate mistake. It is politically opportune to say that we are saving energy. But when the issue is such a serious one, people should stick to the facts.

"It is absurd when people say that we can phase out nuclear power without coming up with anything to replace it. We cannot cut our consumption approximately in half without threatening our standard of living. That is what is involved.

"This irresponsible approach has led to a virtual standstill in the expansion of electric power. An expansion requires at least 5 years of planning. If this does not occur while our industry continues to expand, we will have an energy shortage.

"Even if we continue to operate all our nuclear power plants we will probably have a pronounced shortage of electric power around 1990. If we have to phase out one nuclear power plant after another in that situation, Sweden's future will be rather bleak.

"Today we have no freedom of choice. We are in a dilemma that we created for ourselves. Therefore we should quickly decide to expand electric power. The most obvious choice is coal condensing power plants as an alternative to our oil-fired plants.

"Investing in an oil-fired power plant is certainly cheaper than investing in a coal-fired plant. But there is a risk that we could find ourselves in serious trouble for the second time if we do nothing.

"Coal-fired power plants are regarded as being detrimental to the environment, but at ASEA we have come a long way in developing effective methods for removing environmentally hazardous substances and cleaning emission."

Should the Chernobyl accident lead to a review of Swedish nuclear power, in other words a consideration of phasing out nuclear power before 2010?

"Chernobyl was a terrible catastrophe and obviously it is a reason for thinking things over. We have good reason to believe that there is considerably less risk involved in our nuclear power plants. But because we have a very narrow margin when it comes to our electricity supply, we should decide quickly to develop new electric power resources."

Nothing Risk-Free

Can nuclear power be free of risk for people and the environment?

"Nothing under the sun is risk-free. Experience so far shows that no electric power production has cost so few human lives per generated power unit as nuclear power. I am aware that this proves nothing. But it is a hopeful sign."

Must previously untouched rivers be developed when nuclear power is phased out?

"There is no 'must' involved. From an economic point of view, continued development of the rivers would be the best thing. We should respect people's wishes to preserve untouched rivers for future generations, but then we must also be prepared to pay the price."

Karin Soder claims that nuclear power plants can be eliminated without replacing them with coal-fired power plants, as Curt Nicolin recommended in an interview with the TT news agency on Sunday.

According to Karin Soder this is a fateful hour for mankind with regard to energy policy.

"We in the Center Party have other technical advisers to listen to besides Curt Nicolin. That was also true 10 years ago when Nicolin warmly endorsed nuclear power. Reality has shown that we were right."

"We can handle the phase-out without other environmentally favorable energy sources," Soder maintained. "If small-scale solutions are stressed, for example, we will avoid coal-fired power plants."

Norwegian Energy Imports Studied

Stockholm SVENSKA DAGBLADET in Swedish 23 Jul 86 p 7

[Text] The National Energy Department is now turning to other countries to find energy sources that can replace Swedish nuclear power if the phase-out is speeded up.

Norway has been asked if it can increase energy exports to Sweden, a query that involves both electric power and natural gas.

After the nuclear power accident in Chernobyl the question of a rapid phase-out of Swedish nuclear power was raised. Energy Minister Birgitta Dahl quickly appointed a group of experts that included the heads of the Energy Department, the Environmental Protection Board and the Institute of Radiation Protection.

The Norwegian Oil and Energy Ministry has now asked state power plants to look into whether Norway can increase its power exports to Sweden. The Norwegians will give the Energy Department an answer in August and in September the group of experts will submit a proposal to the energy minister.

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